

CITY OF MURFREESBORO, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2002**

**JAMES B. PENNER
CITY RECORDER/FINANCE DIRECTOR**

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CITY OF MURFREESBORO

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TOMMY BRAGG, MAYOR
ROGER G. HALEY, CITY MANAGER
JAMES B. PENNER, CITY RECORDER
SHERRY L. CARPENTER, CITY TREASURER

January 24, 2003

Honorable Mayor Bragg and Members of the City Council
City of Murfreesboro
Murfreesboro, Tennessee

The Finance Department and City Manager's Office is pleased to submit the Comprehensive Annual Financial Report for the City of Murfreesboro, Tennessee for the fiscal year ended June 30, 2002.

This report is published to provide the City Council, City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness for the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

This Report is presented in five sections: Introductory, Financial, Supplemental, Statistical and Single Audit. The introductory section includes this transmittal letter, the government's organizational chart and a list of principal City officials.

The financial section includes the management discussion and analysis (MD&A) and the basic financial statements, which are comprised of the government-wide financial statements, the fund financial statements and footnotes to the financial statements. Required supplementary information other than MD&A and the independent auditor's report on the financial statements and schedules are also presented. The supplemental section includes combining fund financial statements and individual fund schedules. The statistical section includes financial and demographic information usually presented on a multi-year basis that is relevant to a financial reader.

The government is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U. S. Office of Management and Budget Circular (A-133), *Audits of State and Local Governments*. Information related to this single audit, including the schedule of expenditures of federal awards and auditor's reports on the internal control structure as it relates to federal financial assistance and compliance with laws and regulations, are included in the single audit section of this report.

In June 1999 GASB issued GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for state and Local Governments* effective for the fiscal year ended June 30, 2002. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information.

The intent of GASB 34 was to make the reports easier to understand and to make them more useful to the people relying on the information to make decisions.

THE REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds of the government. The City of Murfreesboro provides a full range of municipal services including police protection, fire protection, solid waste pickup, street lighting, street maintenance, traffic management, parks and recreation, municipal golf course, cable television, planning and engineering, codes enforcement, city court, airport and city beautification. In addition to the general government activities, the City operates the Murfreesboro Water and Sewer Department providing potable water and sanitary sewer treatment, the Murfreesboro Electric Department providing electric service, and Murfreesboro City Schools providing public schools for grades K-6. In conjunction with Rutherford County, the City operates the Linebaugh Public Library.

ECONOMIC CONDITION AND OUTLOOK

The City of Murfreesboro, the county seat of Rutherford County, is located at the geographic center of the State of Tennessee approximately 35 miles southeast of Nashville, the state capital. The City's corporate boundary encompasses approximately 41 square miles. The U. S. census conducted in 2000 indicated a population of 68,815 for a 53.2% increase over the 1990 U.S. Census which indicated a population of 44,922. Murfreesboro has experienced a greater amount of residential growth than any other municipality located in Rutherford County and is one of the fastest growing cities in the State.

In addition to residential growth, the City has experienced considerable commercial and industrial development during the past decade. This non-residential development is expected to continue for the next several years, particularly commercial growth, to serve the needs of the growing population. Murfreesboro is the home of Middle Tennessee State University (MTSU) and, with a student enrollment of over 20,000, it is perhaps the fastest growing public university in the State of Tennessee. The economic outlook for the City is excellent.

MAJOR INITIATIVES AND SERVICE EFFORTS

Administration

The day-to-day business of operating the city is the responsibility of the city manager, the chief administrator of the city appointed by the city council. Through various departments, he is responsible for providing and maintaining the essential services of the city. Acting in much the same way as a chief executive officer of a corporation, the city manager is concerned about the efficient and cost-effective operation of the city. Citizens require and depend upon the city for certain services; among them are fire and police protection, recreational facilities, parks, sanitation and streets. The city manager delegates responsibility and coordinates the many tasks performed daily by city employees.

A duty that is the direct responsibility of the city manager, however, is the preparation of the city's annual budget. The budget reflects the expected revenue and projected expenses for the ensuing year, and is the subject of public hearings. The city manager, in carrying out the responsibilities of fiscal planning and of other areas of city government, has the authority to appoint the heads of the various administrative departments and divisions.

Council determines policy and overall direction for the city through legislation, but execution of council's decisions is the paramount responsibility of the city manager.

During FY 02, the City Council conducted two community meetings. Additionally, Middle Tennessee Medical Center contracted with the City to purchase 68 acres along Manson Pike. The City also created the new Fleet Services Department to centralize the preventative maintenance and repairs of city vehicles and equipment. An agreement was reached with the Woodbine Community to provide an educational program to assist low and moderate-income persons in becoming mortgage-ready. The City placed six automated

external defibrillators (AEDs) in City Hall, Senior Center, Old Fort Golf Course, Sports-Com, Barfield Crescent Park and Patterson Community Center. The City began a Spanish class for emergency responders. An emergency operations center was completed to serve as a central location for managing an event, such as a weather-related emergency.

Municipal Airport and Heliport

The City of Murfreesboro owns and manages the Murfreesboro Municipal Airport providing fuel services (Avgas and Jet A) and accommodations for aircraft with both tie-downs and t-hangars. During this period, the Airport received its seventh consecutive "Front Door" Award from the Tennessee Department of Economic and Community Development and Tennessee Division of Aeronautics. The Airport was also named the "2002 Most Improved Airport of the Year." The Airport was recognized for the various improvements it has made over the last few years to improve the facilities, safety, and operations. The Airport started to update its Airport Layout Plan (ALP). The Airport Layout Plan should be completed by early 2003. The Airport Commission also worked together with Middle Tennessee State University so that Federal Express could deliver and donate a Boeing 727-100 to the Middle Tennessee State University Aerospace Department. The 727 successfully landed at the Airport on May 7th with much fan fair. The 727 will be used to train students in the various programs in the Aerospace Department. The aircraft will not be used for flight. The Grace Heliport completed its first year of service with great success. The Grace Heliport was a part of the 2001-2002 Airport Budget. As budgeted, the General Fund reimburses the Airport Fund for the annual maintenance expenses of the heliport.

Building and Codes

The Building and Codes Department is responsible for enforcing nationally recognized minimum public safety construction standards for new construction and alterations to existing construction. Inspection personnel are trained and certified by the State of Tennessee. During the FY 02, the department issued 1,053 permits (an increase of 7% from the previous fiscal year) for new single-family dwellings and 138 new multifamily dwelling units. The total valuation of all construction permitted was \$220.9 million (an increase of 5 1/2% from the previous fiscal year).

The Department is also responsible for enforcing minimum property maintenance standards for existing buildings and properties. During the 2001-2002 fiscal year, the department issued 1,206 correction notices (an increase of 21% from the previous fiscal year) for violations of the minimum property maintenance standards. This includes such violations as buildings in disrepair, overgrown grass, inoperable or unlicensed vehicles, and accumulation of rubbish.

The City's Building and Codes Director Betts Barbier Nixon serves as the president of the Tennessee Building Officials Association. Ms. Nixon has recently been appointed by the International Code Council to serve on the Board of Directors of the International Accreditation Service, which is establishing and implementing a national Building and Codes Department accreditation program.

Cable

The Murfreesboro Cable Television Department is responsible for managing Murfreesboro's government access cable channel (located on Comcast cable channel 3), administering cable television franchise agreements for the city, and assisting cable television subscribers in the city while resolving problems/complaints with Comcast.

During FY 02, City Channel 3 received a national award for Excellence in Government Programming for small communities by the Alliance for Community Media. Additionally during 2002, the department received two other awards for programs from the National Association of Telecommunication Officers and Advisors and the Greater Nashville Regional Council.

The department cablecast 114 city/county public meetings on City Channel 3 and oversaw a total of 426 first run/produced programs and videos, began programming the channel more extensively to include weekends. Also, new programming was added which included Murfreesboro;En Español as well as various informational programs such as the Annexation Process, the Community Development Block Grant, and Traffic Signalization. The department continued discussions and negotiations of the new cable

television Ordinance and agreement, and reviewed and recommended a transfer of ownership and control of the cable television system from Comcast to AT&T Comcast Corporation.

City Schools

The Murfreesboro City School System operates ten pre-K-6 public schools, has 5,850 students enrolled in addition to 200 preschool students, and a budgeted per pupil expenditure of \$6,636 for the 2001-2002 fiscal year. The system employs in excess of 1,000 full- and part-time employees.

The City System is known for innovation that brings about high achievement for children, evidenced by excellent test scores. All schools and the Central Office are accredited by the Southern Association of Colleges and Schools; the district maintains a 1:20 teacher-pupil ratio, the nationally recognized Extended School Program offers before- and after-school services to families who need those services; the district's MERIT program serves high achieving students; and all classrooms are technologically equipped as 21st Century classrooms.

The Murfreesboro City School System regularly partners with various universities in action research. In addition, the district collaborates with the Jennings Jones Foundation and Middle Tennessee State University to offer leadership, arts, and science/math/technology camps for graduated fourth and fifth graders.

The district has been the recipient of over four million dollars in grants during the past four years, including a 2.1 million dollar 21st Century Community Learning Centers grant which has provided additional after-school and summer services for children and their families.

The system has been recognized within the past two years with the following awards for model programs that improve student achievement and increase the quality of life for Murfreesboro's families: national urban school district winner of the Leadership for Learning Award by the American Association of School Administrators, national Community of Excellence designation by the Federal Interagency Council's Communities Can! organization, National School Boards Journal's Magna Award, Tennessee School Boards Association's Excellence in Education Award, and the state Department of Health's Healthy Kids Community Award.

Community Development

The Community Development Department's objective is to use the funding from the Community Development Block Grant program to provide decent, safe and sanitary housing for low-income families and households and provide a suitable living environment in the City. The programs are directed toward neighborhood revitalization, economic development and the provision of improved community facilities and services.

During FY 02 the Community Development Department assisted in the purchase of 8 homes by providing down payment and closing costs. It assisted the community by helping remove substandard housing in that it rehabilitated 7 homes and demolished and rebuilt 5 homes. The department assisted in the prevention of crimes by providing funding for the STARS Program, which is an enrichment program designed to be a proactive prevention program targeted toward at-risk youth, especially those living in public housing and Section 8 homes. In FY 02, 42 youth and 8 mentors attended workshops, seminars and took tours of area businesses. They learned about jobs, what types are available and what education and background is required to obtain these jobs. They learned how to apply for employment and how to conduct themselves in an interview.

The Department also assisted in the prevention of child abuse by providing funding for one Family Services Coordinator who assisted 30 families and 26 children. Those targeted are young, low-income, unmarried mothers who at times do not have the know-how or the financial means to care for a baby or an infant. Classes are given to insure that the mother has the knowledge to properly take care of the baby. They are also helped with issues such as child support; GED or home schooling, Families First, Tenn-Care and other needed guidance.

The Department also works with the Homeless by administering the Emergency Shelter Grant and by working with the Homeless Task Force in planning & developing the homeless Continuum of Care and finding funding to implement the continuum. We had 10 meetings and applied for 2 grants, i.e. a Home Grant in the amount of \$473,151 and a Shelter Plus Care Grant for \$642,000.

The Department also provided partial funding for the Elderly Day Care Program carried out by the Senior Citizens Center.

Fire

The City of Murfreesboro has a full-time professionally staffed fire department and enjoys a Class 3 Insurance Services Office (ISO) fire rating. In FY 02, the department opened its new fire station on Runnymede Drive, put into service a new Pierce 85-foot Aerial Platform and held the third session of the Citizens Fire Academy. The City served as host for the Fire Inspector Conference, the Tennessee Advisory Committee on Arson Conference, and the Tennessee Public Fire Educator's Conference. The City of Murfreesboro adopted the 2000 Standard Fire Prevention Code. The Murfreesboro Fire Department (MFD) helped the Discovery House move the previously donated 1954 Oren fire engine to its new location. The MFD will be providing extrication for the City of Murfreesboro and has ordered extrication equipment and two new rescue trucks. Two automatic external defibrillators (AEDs) were purchased and are located on each service company. Mobile Data Terminals were installed in each fire engine so MFD personnel can receive information from dispatch and street locations. New computers have been purchased for each station and will connect through a Wireless Data Network. The MFD hosted a City of New York Firefighter in March 2002 as part of a promotion by the United States Conference of Mayors.

Fleet Services

The Fleet Services Department provides preventive maintenance, mechanical repairs and assistance to all departments regarding City owned and prospective vehicles. Fleet Services has three fully staffed garages. The Main Service Center services small trucks and automobiles that are non-diesel and smaller than 1 ton. The Solid Waste Shop services all garbage trucks, knuckle booms, the mulcher and street sweepers. The Heavy Equipment Shop services all diesel vehicles and trucks greater than 1 ton. The Fleet Services Department also services City emergency generators.

The Fleet Services Department hosted Automotive Service Excellence exams in March and November 2002. The Fleet Services Department conducted all City MARTA (Smog) testing for City vehicles. The Department hired 1 records keeper, and 4 mechanics in 2002.

Golf

Old Fort Golf Course

The City of Murfreesboro owns and operates the Old Fort Golf Course at Old Fort Park. During FY 02, approximately 47,500 players visited the course. Old Fort once again played host to the USGA Junior National Qualifier and the TSSAA State High School Golf Finals. The course participated in and expanded its natural areas in cooperation with the Audubon Society recommendations. Drainage work was performed in several areas of the course including fairways and greens. The course was recognized as the favorite place to play for the fourth year in a row by the local Ruthie Awards sponsored by the Daily News Journal.

Veteran's Administration Golf Course

The City maintains and operates a 9-hole course on the campus of the Veteran's Administration. The City has agreed to a three-year lease of the facility with hopes of a longer agreement in the future. The fairways were overseeded this year and the response of the golfers was very favorable.

Legal

The City's Legal Department has four full time lawyers providing legal services to all of the City's departments and is responsible for the Risk Management Department, which administers the Risk Management Fund, including self-insurance for worker's compensation, general liability and automobile insurance. This department consists of a Risk Manager and one support staff.

Parks and Recreation

The Murfreesboro Parks and Recreation Department is responsible for program planning and the operation and maintenance of the City's parks and recreation facilities. During FY 02, the department began renovation of McKnight Park 4-field baseball/softball complex. New lighting, irrigation system and central concession/restroom facility are included. Construction continues on three Wetlands Projects: Black Fox/Nickajack Trace, Oaklands Springs and Murfree Springs. Construction also continues on the Patterson Park Campus Project. This project includes expansion and renovation of the existing community center, tennis & basketball courts, parking and allied facilities. A consulting firm has been chosen to design and engineer the 6½-mile extension of the Stones River Greenway from Old Fort Park to Barfield Crescent Park. Planning will take approximately one year, and construction is tentatively planned to begin in late 2003. A Master Plan for the 15-acre Siegel Educational/Recreational Park was also developed during FY 02.

The department received a Four-Star Award from the Tennessee Recreation and Parks Association for the Wild Things Program at Barfield Crescent Park. Deputy Director Lanny Goodwin received the 2001 Fellow Award from the Tennessee Recreation and Parks Association for outstanding service and contributions to the Parks and Recreation profession.

Personnel

In FY 02, the City of Murfreesboro Personnel Department received 2036 applications for 55 full-time positions and 1371 applications for 93 part-time positions. The Personnel Department worked with the Risk Management committee to recommend to the Mayor and members of the Murfreesboro City Council the implementation of Physical Ability Testing for the most physically demanding entry-level positions.

The City's Personnel Director served as president of the local Rutherford County Personnel Association for the past year.

Planning, Engineering, and G.I.S.

The Planning and Engineering Department is responsible for coordinating the physical development of the City. The G.I.S. Section of the department provides digital mapping services to all City departments. The Planning Section coordinates the agendas for the Murfreesboro Planning Commission, the Board of Zoning Appeals, and the Historic Zoning Commission and assures public input on a variety of issues including annexation, rezonings, R.O.W. actions, and ordinance amendments.

During the fiscal year the Planning Department reviewed 36 preliminary plats involving 1230 residential lots, 128 final plats involving 973 residential lots, and 93 site plans involving a variety of commercial and multiple family developments. The Planning Commission conducted public hearings on 60 items involving annexations, rezonings, and ordinance amendments and provided recommendations for each to the City Council.

The Board of Zoning Appeals conducted 62 public hearings to consider a variety of applications for variances of setback requirements, variances of the sign ordinance, and special use permits. The Historic Zoning Commission considered 13 applications for certificates of appropriateness. Also during the fiscal year of 2002 the department finalized the adoption of the Blackman Area Land Use Plan and the Salem Pike Land Use Studies.

The Engineering Department is currently involved in substantial efforts to improve existing roadways in conjunction with building new facilities to accommodate growth. City roadway projects completed in FY 2001-02 include:

- Saint Andrews Drive from Hwy 96 to MTEMC
- Thompson Lane widening from Memorial Boulevard to Northboro Court
- Cason Trail reconstruction from Cason Lane to River Rock Boulevard

City roadways let to bid in FY 2001-02 include:

- Rideout Lane Extension
- Sanbyrn Drive Widening from South Church Street to US 41
- Joe B. Jackson Parkway from I-24 to US 41
- Siegel Road Widening from Sulphur Springs Road to Thompson Lane
- Medical Center Parkway (phase 2)
- Saint Andrews Drive extension from Cason Lane to Hwy 99

The Engineering Department is additionally involved in a wide array of drainage projects. Most notably under design is the Salem Road Area Drainage Project that is intended to mitigate current drainage problems in the Samsonite Boulevard, Old Salem Road and New Salem Road Area.

Police

The Murfreesboro Police Department's (MPD) Information Systems personnel completed the installation of mobile data computers, modems and global positioning system (GPS) equipment in an additional 24 marked patrol cars and 13 fire vehicles. This places our Mobile Data Fleet at 122 vehicles in operation. The Emergency Operations Center (EOC) has been completed for telephone, networking and video services. The Police Record Management System (RMS) was replaced with an upgraded Windows SQL version. A Wireless Data Network project that connects all Fire Stations and Police Precincts to the Main Police Building has been designed, bid and awarded. The replacement of the Fire Record Management System (FRMS) with an upgraded Windows SQL version has been started.

The relocation of our Records Section to offices at 316 South Church Street was begun, with a target move date of late February 2003. Immediately following that move, work will begin on the renovation and expansion of space for a new Police/Fire Communications Center.

The Uniformed Division accomplished significant achievements during fiscal year 2002. The department received a Click It or Ticket Outstanding Achievement Award from the Governor's Highway Safety Office, one of nine agencies statewide to receive this recognition. Seat belt usage in Murfreesboro increased by 14% during the 2001 Click It or Ticket campaign. The division also purchased 4 new motorcycles and related equipment with funding from 2001 Law Enforcement Block Grant of \$103,962. Police received \$67,032 in Highway Safety grants, which were used to purchase radar equipment, train personnel, improve our crash data records system, and fund overtime duty for traffic enforcement. A cooperative program was started with Middle Tennessee Medical Center in which the hospital distributes child passenger safety information provided by the department to the new parents class participants.

Following a number of collaborative work sessions between Murfreesboro Police and Murfreesboro City Schools officials, a *Code Red* school violence response plan was finalized. This process included lesson plans and training sessions designed to provide information on this program for children, parents and teachers.

The Criminal Investigations Division (CID) assisted the F.B.I. in several cases including the identification and the eventual arrest of a serial bank robbery suspect that had robbed several Middle Tennessee Banks, and the arrest of several suspects and the recovery of over \$150,000 worth of stolen digital cameras and computer parts from a LaVergne, Tennessee company.

The Vice Section has solved several major cases including the seizure of 5 Kilo's (over 13 pounds) of Cocaine and the arrest of four (4) out of state suspects. They have also been involved in street level narcotics and prostitution sting operations.

The MPD's Domestic Violence Section has received statewide recognition as an example for other Domestic Violence Sections to follow. They have made a strong commitment in providing training through the 16th Judicial District Domestic Violence Training Team.

Solid Waste

The Solid Waste Department provides once per week curbside garbage collection. The City of Murfreesboro provides this service using automated side loaders. The City of Murfreesboro has an agreement with BFI's Middle Point landfill for free disposal of garbage. In 2001, this agreement saved the City over \$900,000 in tipping fees.

The Murfreesboro Solid Waste Department provides curbside garbage and yard waste collection for the City. From January 1, 2001, through December 31, 2001 the Solid Waste Department diverted from the landfill 64,428 cubic yards of yard waste. Since January 1, 2002 through October 31, 2002 the Solid Waste Department has diverted 69,242 cubic yards of yard waste. This is 9.2% growth in yard waste collection. All yard waste collected goes to the City of Murfreesboro mulcher operation. The mulch that is generated is free to all residents of the City of Murfreesboro.

St. Clair Street Senior Center

The St. Clair Street Senior Center offers an array of services and activities for individuals 60 years of age and over at the facility located at 325 St. Clair Street. During the past year the Senior Center provided a record number of seniors 3,394 with 117,771 units of service in a variety of areas.

There were several highlights during the past year. The hours and staff for the Center sponsored Adult Day Care Program were expanded from three to five days a week to better serve employed caregivers.

In September 2001, the Senior Center received an Arts Build Communities Grant for \$2,550 which funded two series of two programs each "Celebrating the Cultural Heritage of Tennesseans." Two hundred thirty three individuals enjoyed these events and gained a greater appreciation of the cultural diversity reflected in those who settled the state.

In April 2002, the Senior Center and the Nurse on Duty Program were presented with the Tenth Annual Research Award by the National Council on Aging's National Institute of Senior Centers at the annual conference in Denver, Colorado. This award was for Outstanding Contributions in the Field of Senior Center Research. Nurse Judy Campbell completed this research project for measuring benefits for Center participants in a strength training program in the Senior Center setting.

Furnishings and equipment costing over \$150,000 for the remodeled portion of the building were received and set up.

Street

The Street Department is responsible for maintaining approximately 350 lane miles of streets and storm drainage systems located within the city. This work is performed in-house and through annual contracts with local construction companies. We anticipate performing approximately \$600,000 in storm drainage and sidewalk renovations this fiscal year. We also anticipate the paving of approximately 90 lane miles of streets through our annual contract with Hoover Inc. Last year our Right of Way Construction Coordinator issued 245 permits and based on our current rate of issuance, we should exceed this amount by 10-15 percent. The Department is involved in a \$219,000 annual contract with Tennessee Department of Transportation for the maintenance of state routes through the city. They are also preparing our storm mitigation equipment and vehicles in anticipation of response to extreme winter storms. Another function of this department is the installation of street signage in new subdivisions and replacement of missing or damaged signs.

Traffic

The Traffic department currently manages 94 signalized intersections of which 51 are currently interconnected and addressable from the Traffic Operations Center located at City Hall. As a supplement to the interconnected signals, the City has installed 19 closed circuit television cameras along arterial routes to assist in overall traffic management. The traffic camera video is transmitted via the local government cable TV channel during peak traffic hours to provide the motoring public information to assist in making informed travel decisions. This CCTV video is currently being configured to be added to the city's web page.

Urban Environmental

The Urban Environmental Department maintains plants, flowers and trees on City properties and rights-of-way to improve the aesthetic environment of the City. The department also reviews landscape site plans, administers the tree ordinance and landscape ordinance. The department moved into its new offices and equipment garage located on Overall Street.

Water and Sewer

Capital Construction Projects

The Department purchased for \$ 3,675,000 the 408 acre John T. Coleman farm for the future disposal of repurified water from the wastewater plant.

Contracts were awarded for the following projects:

- W. L. Hailey Company for construction of the Overall Creek Interceptor Phase 2, Contract 5. The project consists of 15,300 feet of 15" and 18 "sanitary sewers. The project bid amount was \$2,013,280.50.
- To construct a 2 million gallon all concrete water storage tank was awarded to the Crom Corporation in the amount of \$4,299,614.
- Reconstruction of Siegel Road including water and sewer improvements was awarded to Rollins Excavating Company in the amount of \$1,594,753.
- Replacement of the DeJarnette Lane Pumping Station was awarded to W. Rogers Construction Company in the amount of \$1,835,817.40.
- Buchanan Interchange Sanitary Sewer was awarded to Civil Constructors, Inc in the amount of \$4,072,458.50.
- Elam Road Interchange Sanitary Sewer was awarded to Civil Constructors, Inc in the amount of \$1,310,473.00.
- County Farm Road Pumping Station and Force Main was awarded to Freitag Construction Company Inc in the amount of \$629,500.00
- Salem Highway Sanitary Sewer, pumping station and force main was awarded to Civil Constructors, Inc in the amount of \$2,920,664.25.
- Contract was awarded to Burgess Construction Company for the Osborne Lane Sanitary Interceptor Improvements in the amount of \$293,644.76.

Operation and Maintenance

- Replaced 6,170 LF of sanitary sewer on Academy, Hembree, State and College Streets.
- Replaced 10,941 LF of 2" cast iron/galvanized water line with 6" and 8" D.I. on Jetton, Academy, Hembree, Osborne Ln, State, Sadler Ct, Grandview, Eventide, Ridgecrest, and College Streets.
- Installed 15,850 LF of 1" and 2" copper water service lines.
- Installed 43 fire hydrants and upgraded water lines to increase fire protection capabilities to approximately 250 homes.
- Made approximately 284 water taps.
- Televised 337,180 LF of sanitary sewer.
- Cleaned and pressure washed 490,000 LF of sanitary sewer.
- Replaced 13 sanitary sewer manholes.

Water Treatment

The Stones River Water Treatment Plant has a peak capacity of 15.7 million gallons per day. Jordan Jones and Goulding has been contracted with to design the expansion of the Stones River Water Treatment Plant. In addition to increasing the treatment capacity to 20 million gallons per day the design will incorporate emerging technologies such as ultraviolet disinfection and membrane filtration to provide absolute barriers to biological and chemical contaminates.

Customer Service

New statement billing began February 14, 2002. The new statement is more informative and includes a return envelope for customer convenience. The statement allows more room to communicate information to the customer and has been well received by majority of customers. A new meter reading system was purchased that will enable future reading of meters via radio transmission. The system is now used in the manual read mode with some meters read via a touch pad. The customer service department ventured into the world of radio-read meters on a very small scale. Although still in the infancy stage, the system seems to be working without problems. Radio-read meters will enable us to solve some safety issues such as confined space entry and traffic problem areas. Radio-read meters can also contribute to elimination of worker injuries.

Engineering and Geographic Information

The GIS Department has provided information for inclusion on the City of Murfreesboro's web site in PDF format. These maps are provided to better inform the public about water and sanitary sewer systems in a timely manner.

Accounting System and Budgetary Control

In developing and maintaining the City's accounting system, consideration is given to internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard and provide reasonable assurance of proper recording of the financial transactions.

The City charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Council.

Accounting System and Budgetary Control

Budget control has been established at the individual level. Financial reports are produced showing budget and actual expenditures by the line item and are distributed monthly to City departmental and divisional management and others upon request.

General Fund

The General Fund is used to account for expenditures of traditional government services as well as financial resources other than those required to be accounted for in other funds.

General fund revenues totaled \$58,014,372 in fiscal 2002, an increase of .20% from fiscal 2001. General property taxes produced 41.98% of general fund revenues compared to 39.37% last year. General fund increases and decreases over last year are shown in the following tabulation:

<u>Revenue Source</u>	<u>Amount</u>	Percent of <u>Total</u>	Increase (Decrease) <u>From 2001</u>	Percent Increase (Decrease) <u>From 2001</u>
Property Taxes	\$ 24,355,979	41.98%	\$ 1,562,373	6.85%
Other Local Taxes	20,645,033	35.59	(155,836)	.75
Licenses, Permits, Fines	3,697,069	6.37	657,349	21.63
Inter-Governmental	6,609,556	11.39	(1,580,167)	(19.30)
Charges for Services	365,260	.63	280,985	333.41
Interest	304,120	.53	(372,969)	(55.08)
Miscellaneous	<u>2,037,355</u>	<u>3.51</u>	<u>(273,367)</u>	<u>(11.83)</u>
	<u>\$ 58,014,372</u>	<u>100.00%</u>	<u>\$ 118,368</u>	<u>.20</u>

General Fund expenditures for general government purposes totaled \$32,641,227, an increase of 6.35% from fiscal 2001. Increase (decrease) in levels of expenditures for major functions of the City over the preceding year are shown in the following tabulation:

<u>Function</u>	<u>Amount</u>	Percent of <u>Total</u>	Increase (Decrease) <u>From 2001</u>	Percent Increase (Decrease) <u>From 2001</u>
Administrative and General	\$ 9,168,864	28.09%	\$ 800,547	9.57%
Police and Fire Protection	15,485,916	47.44	592,805	3.98
Legal and Judicial	723,064	2.22	83,575	13.07
Personnel	316,453	.97	(24,812)	(7.27)
Streets	2,303,089	7.06	(162,378)	(6.59)
Planning & Engineering	1,397,471	4.28	320,615	29.77
Sanitation			(66,863)	(100.00)
Other	1,188,272	3.64	253,060	(27.06)
Building Inspections	750,636	2.30	34,219	4.78
Urban Environmental	311,391	.95	1,788	.58
Public Health, Safety & Other	<u>996,071</u>	<u>3.05</u>	<u>116,272</u>	<u>13.22</u>
	<u>\$ 32,641,227</u>	<u>100.00%</u>	<u>\$ 1,948,828</u>	<u>6.35</u>

Capital Project Funds

Proceeds of General Obligation Bond issues are accounted for in Capital Project funds until improvement projects are completed. During 2002, a total of \$15,084,657 was expended on projects including street and drainage improvements, traffic improvements, parks, recreation, and general facilities.

Water and Sewer System

The City's water and sewer system continued to show gains in operating revenues, number of customers, and net income. Comparative data for the past two fiscal years are presented in the following tabulation:

	<u>2002</u>	<u>2001</u>
Gross revenues including interest earned	\$ 17,929,723	\$ 17,497,224
Operating expenses, excluding depreciation and including operating transfers	9,899,664	9,875,658
Income available for debt service	8,030,059	7,621,566
Coverage (revenue available for debt service divided by annual debt service)	5.29	5.29

Electric System

The City's electric system also continued to show gains in operating revenues, number of customers, and net income. Comparative data for the past two fiscal years are presented in the following tabulation:

	<u>2002</u>	<u>2001</u>
Gross revenues including interest earned	\$ 67,984,679	\$ 68,260,667
Operating expenses, excluding depreciation and including operating transfers	62,924,428	62,610,100
Income available for debt service	5,060,251	5,650,567
Coverage (revenue available for debt service divided by annual debt service)	4.30	4.35

Debt Administration

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens, and investors. This data for the City of Murfreesboro for the last two fiscal years are presented in the following tabulation:

	<u>2002</u>	<u>2001</u>
General and Contractual Obligation Bond Debt	\$ 16,770,000	\$ 21,170,000
Ratio of net bonded debt to assessed value	1.17%	1.72%
Net bonded debt per capita	\$ 180.51	\$ 265.54

Cash Management

Cash temporarily idle during the year was invested in bank savings accounts, certificates of deposit, and U.S. Government Securities. The City's investment policy is to invest with the safety of principal, liquidity, yield, maturity, and quality being of primary importance. All deposits were insured by federal depository insurance or collateralized. All collateral on the deposits was held in the Tennessee Bank Collateral Pool.

Risk Management

During the fiscal year ended June 30, 1988, the City initiated a Self-Insured Retention program in order to deal with the potential liabilities. As of the end of the fiscal year, it was estimated that the loss reserve was \$2,557,272, which represents the discounted present value of expected losses and includes claims incurred but not yet reported.

As of June 30, 2002, the risk management fund had fund equity of \$2,564,090.

Employee Health Plan

The City maintains an employee health plan for employees and dependents which is self-insured by the City. Revenues are recognized from payroll deductions from employees and from the City contributions for employee coverage. The plan is administered by Blue Cross/Blue Shield of Tennessee. The City has excess coverage on individual claims over \$500,000 and on claims for transplant surgery.

As of the end of the fiscal year, it was estimated that the loss reserve was \$197,395, which represents the discounted present value of expected losses and includes claims incurred but not yet reported.

As of June 30, 2002, the employee health insurance fund had fund equity of \$452,652.

OTHER INFORMATION

Independent Audit

State statutes require an annual audit by the State Comptroller's Office or by a certified public accountant. The City engaged the firm of Jobe, Hastings & Associates, Certified Public Accountants, to perform the 2001-2002 audit. The auditor's report has been included in this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Murfreesboro for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

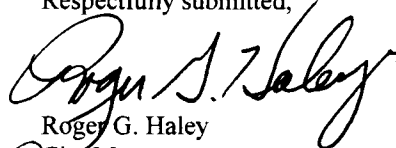
A Certificate of Achievement is valid for a period of one year only. The City of Murfreesboro has received a Certificate of Achievement for the last three consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

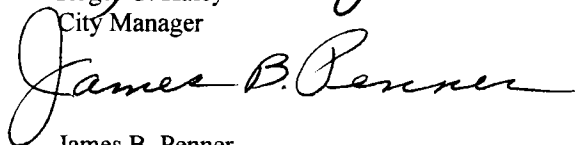
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance department. Appreciation is expressed to City employees throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

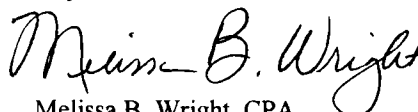
Respectfully submitted,



Roger G. Haley
City Manager



James B. Penner
City Recorder/Finance Director

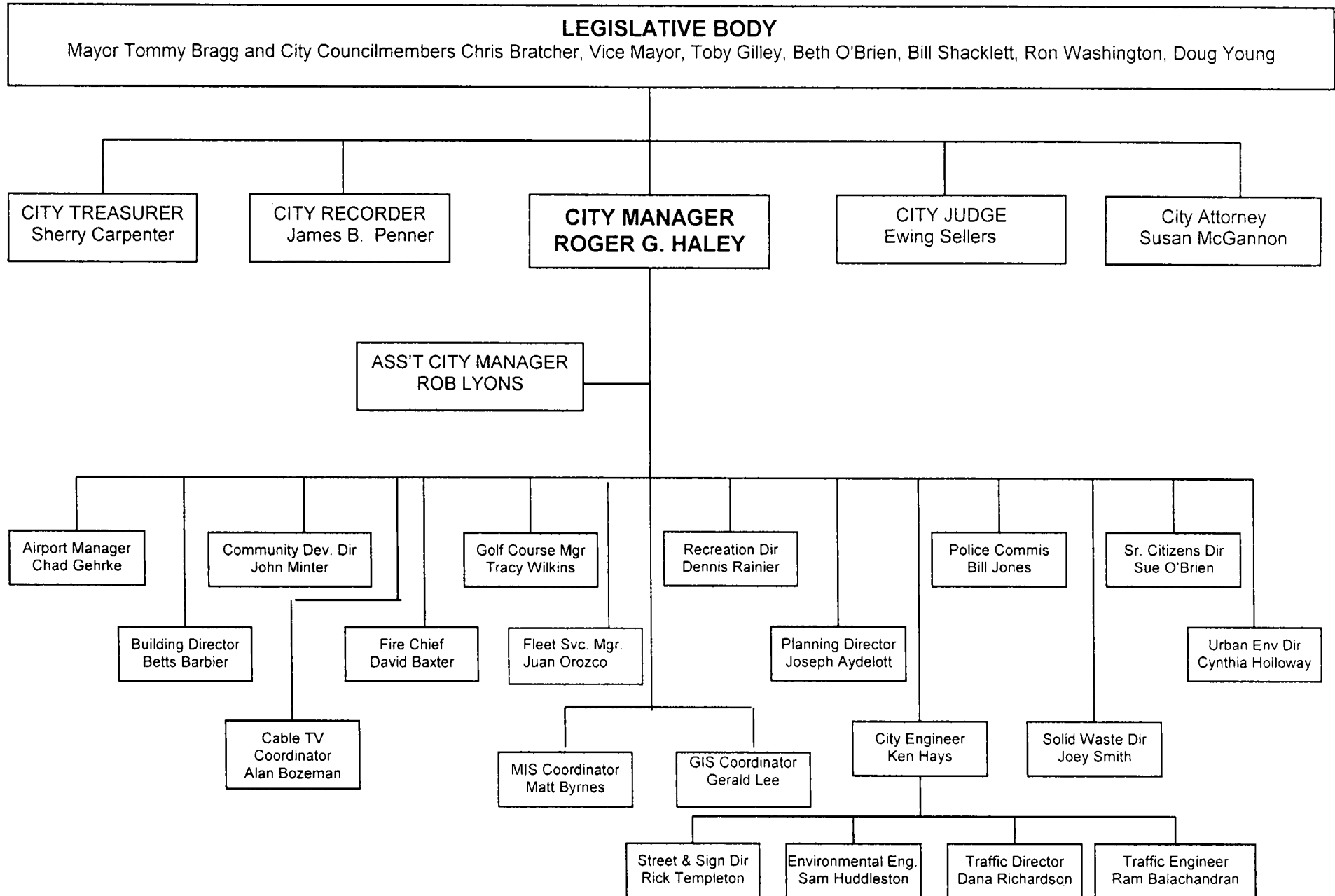


Melissa B. Wright, CPA
Assistant City Recorder/Chief Accountant

CITY OF MURFREESBORO, TENNESSEE
CITY OFFICIALS
JUNE 30, 2002

MAYOR	Tommy Bragg
CITY COUNCIL	Chris Bratcher Doug Young Bill Shacklett Tolbert Gilley, III Ronald Washington Beth O'Brien
CITY MANAGER	Roger G. Haley
ASSISTANT CITY MANAGER	Robert J. Lyons
CITY RECORDER/FINANCE DIRECTOR	James B. Penner
ASSISTANT CITY RECORDER/CHIEF ACCOUNTANT	Melissa B. Wright
CITY ATTORNEY	Susan McGannon
CITY TREASURER/PERSONNEL DIRECTOR	Sherry Carpenter
SUPERINTENDENT OF SCHOOLS	Marilyn Mathis
PLANNING DIRECTOR	Joseph Aydelott
DIRECTOR OF BUILDING DEPARTMENT	Betts Barbier
COMMISSIONER OF POLICE	Bill L. Jones
RECREATION DIRECTOR	Dennis Rainier
GOLF COURSE GENERAL MANAGER	Tracy Wilkins
CITY ENGINEER	Kenneth N. Hayes
COMMUNITY DEVELOPMENT COORDINATOR	John Minter
CHIEF, FIRE DEPARTMENT	David Baxter
SUPERINTENDENT, SOLID WASTE DEPARTMENT	Joey Smith
WATER AND SEWER DIRECTOR	Joe Kirchner
ELECTRIC DEPARTMENT DIRECTOR	Larry Kirk
DIRECTOR, SENIOR CITIZENS CENTER	Sue O'Brien
CITY HORTICULTURIST/LANDSCAPE DESIGNER	Cynthia Holloway
CITY JUDGE	Ewing Sellers
CABLE TELEVISION COORDINATOR	Alan Bozeman
AIRPORT MANAGER	Chad Gehrke
DIRECTOR OF STREET AND SIGN DEPARTMENT	Rick Templeton

CITY OF MURFREESBORO - ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Murfreesboro,
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Pate
President

Jeffrey L. Essler
Executive Director

JOBE, HASTINGS & ASSOCIATES

Certified Public Accountants

Joel H. Jobe, CPA, CMPE

Donna K. Hastings, CPA

James R. Jobe, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Murfreesboro, Tennessee

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Murfreesboro, Tennessee, as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, internal service and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the City of Murfreesboro, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Murfreesboro City School System, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Department Pension Plan, and the Evergreen Cemetery Commission whose statements reflect total assets of \$13,165,310, \$62,477,685, \$220,115,641, \$7,940,195, and \$1,565,016, respectively, and total revenues of \$34,934,575, \$67,984,679, \$17,934,536, \$(422,346), and \$381,782, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Murfreesboro City Schools, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Department Pension Plan, and the Evergreen Cemetery Commission is based upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for the City of Murfreesboro, Tennessee, as of June 30, 2002, and the respective changes in financial position, including cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, based upon our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise, internal service, and fiduciary fund of the City of Murfreesboro, Tennessee, as of June 30, 2002, and the respective changes in financial position, including cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, pension trend data, and budgetary comparison information for major governmental funds on pages three (3) through fourteen (14) and fifty-seven (57) through sixty-seven (67) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The pension trend data and budgetary comparison information for major governmental funds has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic, nonmajor funds, internal service funds, and fiduciary funds financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole and on each of the City's nonmajor governmental, nonmajor enterprise, internal service funds and fiduciary funds. Other information listed in the supplemental section, and the information listed in the statistical section in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Murfreesboro, Tennessee. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and are not a required part of the financial statements of the City of Murfreesboro, Tennessee. Such information, except for the statistical information marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic, nonmajor funds, internal service funds, and fiduciary funds financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.


Certified Public Accountants

Murfreesboro, Tennessee
January 21, 2003

CITY OF MURFREESBORO

Management's Discussion and Analysis

June 30, 2002

The following discussion and analysis of the City of Murfreesboro's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2002. Management encourages readers to consider the information presented here in conjunction with the additional information presented in our letter of transmittal, which can be found on pages i - xiv of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Murfreesboro exceeded its liabilities at June 30, 2002 by \$337,924,411. Of this amount \$54,346,956 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$40,842,827 during the year.
- As of June 30, 2002 the City's governmental funds reported combined fund balances of \$40,100,920, an increase of \$6,473,934 in comparison with the prior year. The unreserved, undesignated portion of the governmental fund combined fund balance is \$36,569,297 and is available for spending at the city's discretion.
- At the end of the year the unreserved fund balance for the general fund was \$22,685,686, or 69 percent of the total general fund expenditures.
- The City of Murfreesboro's total debt increased by \$5,769,071 (3.63 percent) during the year ended June 30, 2002.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Murfreesboro's basic financial statements comprise three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business. These statements present *governmental activities* and *business-type activities* separately. Governmental activities are principally supported by taxes and intergovernmental revenues and include administrative and general, police, fire protection, judicial, legal, personnel, streets, planning and engineering, building inspections, sanitation, urban environmental, public health, safety and other, other governmental activities, recreation, community development, education, and food service. Business-type activities are supported through

user fees and charges and include a water and sewer operation, an electrical distribution operation, and a cemetery. The government-wide financial statements can be found on pages 15 - 16 of this report.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Murfreesboro is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

A fund is established to account for a specific activity or purpose. Law mandates the creation of some funds and others are established by management to demonstrate financial compliance with budget or legal requirements. All of the funds of the City of Murfreesboro can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for most of the City's basic services. The governmental fund statements provide a detailed short-term view of the City's general government operations by using a modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. Governmental fund information is useful in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those of the government-wide financial statements are explained in a reconciliation following each governmental fund statement.

The City of Murfreesboro maintains thirty-three (33) individual governmental funds. Information is presented separately in the governmental fund statements for the general fund, the general purpose school fund, the debt service fund and the 2001 TML loan fund, which are considered to be major funds. Data from the other twenty-nine (29) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in combining statements in the supplemental section of this report.

The basic governmental fund financial statements can be found on pages 17 – 21 of this report.

Proprietary Funds

There are two types of proprietary funds: *enterprise funds* and *internal service funds*.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements, only in more detail. The City's water and sewer department and electric department are considered to be major funds and are displayed separately in the proprietary fund statements on pages 22 – 25 of this report. The City's other three (3) enterprise funds are combined into a single column for non-major funds.

Internal service funds are used to account for activities that provide supplies and services for the City's other programs and activities. Because these services predominantly benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements. The City of Murfreesboro uses internal service funds to account for its fleet maintenance of vehicles and for its self-insurance programs. They have been combined into a single column in the proprietary fund financial statements on pages 22 – 25 of this report. Detailed financial data for those funds can be found in the combining statements in the supplemental section of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund statements can be found on pages 26 – 27 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 - 56 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This section also includes budgetary comparison schedules for certain major governmental funds. Required supplementary information can be found on pages 57 - 67 of this report.

The combining statements referred to earlier in connection with the non-major governmental funds, non-major enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions and certain budgetary comparison schedules. Combining statements and individual fund schedules can be found on pages 68 – 105 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City is providing condensed financial information for fiscal year 2002 only. No comparative information is being provided, as this is the first year of GASB 34 implementation. In subsequent years, this comparative information will be provided. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$337,924,411 at June 30, 2002. The largest part of the City of Murfreesboro's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The table below focuses on the net assets of the City's governmental and business-type activities:

NET ASSETS June 30, 2002

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 84,686,971	\$ 33,602,179	\$ 118,289,150
Capital assets	148,303,116	249,583,375	397,886,491
Total assets	232,990,087	283,185,554	516,175,641
Long-term liabilities outstanding	96,148,837	68,404,418	164,553,255
Other liabilities	6,247,863	7,450,112	13,697,975
Total liabilities	102,396,700	75,854,530	178,251,230
Net assets:			
Invested in capital assets, net of related debt	64,817,590	180,697,510	245,515,100
Restricted	17,716,528	20,345,827	38,062,355
Unrestricted	48,059,269	6,287,687	54,346,956
Total net assets	\$ 130,593,387	\$ 207,331,024	\$ 337,924,411

There are 11 percent of the City's net assets that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets (\$54,346,956) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the fiscal year, the City of Murfreesboro is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for governmental and business-type activities.

Governmental Activities

Governmental activities increased the City of Murfreesboro's net assets by \$30,045,308 thereby accounting for 74 percent of the total growth in the net assets. Key elements of this increase are as follows:

CHANGES IN NET ASSETS

June 30, 2002

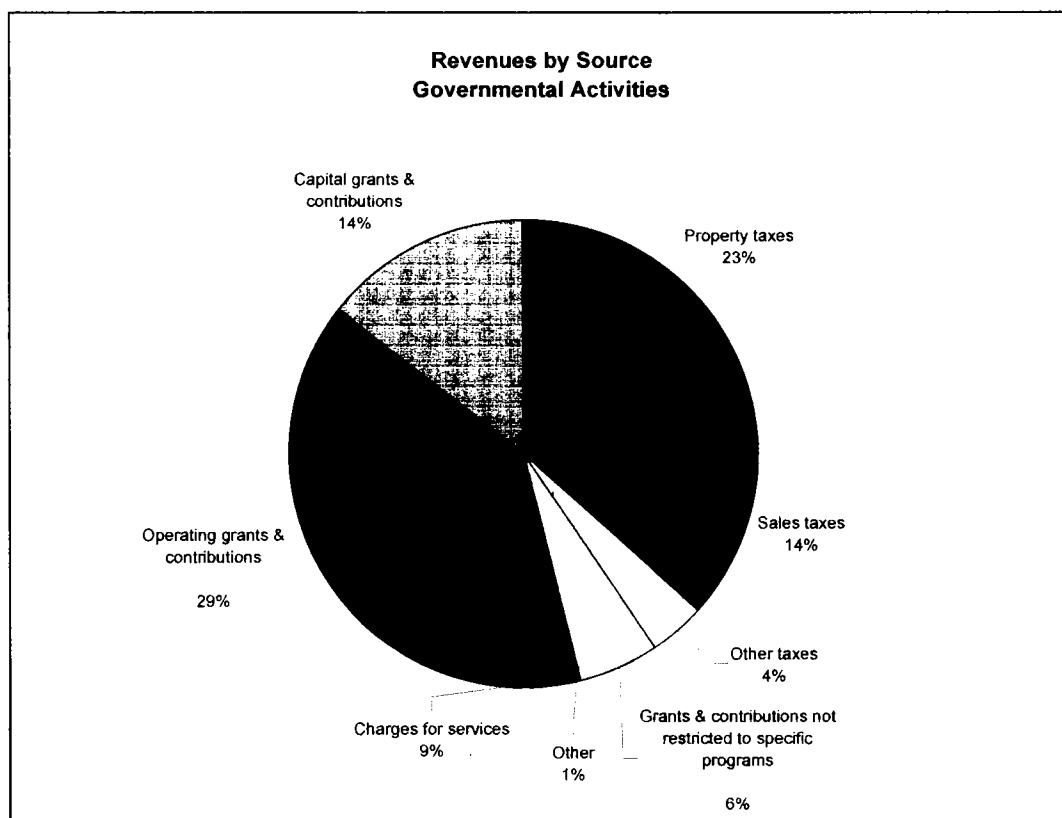
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 10,954,667	\$ 84,965,483	\$ 95,920,150
Operating grants & contributions	36,035,340	85,815	36,121,155
Capital grants & contributions	17,491,210	7,856,270	25,347,480
General revenues:			
Property taxes	27,838,214		27,838,214
Other taxes	21,465,618		21,465,618
Grants & contributions not restricted to specific programs	6,988,901		6,988,901
Other	1,007,724	1,212,399	2,220,123
Total revenues	121,781,674	94,119,967	215,901,641
Expenses:			
Administrative and general	9,466,318		9,466,318
Police	10,134,174		10,134,174
Fire protection	6,849,872		6,849,872
Judicial	258,396		258,396
Legal	480,855		480,855
Personnel	329,742		329,742
Streets	3,627,182		3,627,182
Planning and engineering	1,453,396		1,453,396
Building inspections	753,094		753,094
Sanitation	2,815,772		2,815,772
Urban environmental	340,057		340,057
Public health, safety and other	1,627,425		1,627,425
Other governmental activities	3,248,602		3,248,602
Recreation	6,780,898		6,780,898
Community development	734,553		734,553
Education	38,314,527		38,314,527
Food service	2,006,462		2,006,462
Interest on long-term debt	2,579,226		2,579,226
Water and sewer		17,301,578	17,301,578
Electric		65,674,605	65,674,605
Cemetery		319,380	319,380
Total expenses	91,800,551	83,295,563	175,096,114
Increase in net assets before contributions and transfers	29,981,123	10,824,404	40,805,527
Contributions to permanent funds		37,300	37,300
Transfers	64,185	(64,185)	
Increase in net assets	30,045,308	10,797,519	40,842,827
Net assets at beginning of year	100,548,079	196,533,505	297,081,584
Net assets at end of year	\$ 130,593,387	\$ 207,331,024	\$ 337,924,411

The cost of all governmental activities was \$91,800,551. However, as shown in the Changes in Net Assets table above, 70 percent (\$64,481,217) of these costs were paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs with operating grants and contributions and capital grants and contributions. The City paid for the remaining "public benefit" portion of governmental activities with taxes, general grants and contributions, and other miscellaneous revenue. Each program's net cost to taxpayers is presented below:

Net Program Cost to Taxpayers

	Net (Expense)
<u>Governmental activities:</u>	<u>Revenue</u>
Administrative and general	\$ (9,308,797)
Police	(9,309,388)
Fire protection	(6,610,255)
Personnel	(329,742)
Judicial	1,725,496
Legal	(480,855)
Streets	11,850,971
Planning and engineering	(1,433,737)
Building inspections	912,989
Sanitation	(2,784,578)
Urban environmental	(340,057)
Public health, safety and other	1,788,987
Other governmental activities	(1,429,223)
Recreation	(3,668,308)
Community development	2,660
Education	(5,412,824)
Food service	2,580
Interest on long-term debt	(2,495,253)
Total governmental activities	\$ <u>(27,319,334)</u>

Governmental net assets at the beginning of the year of \$100,548,079 were increased by \$30,045,308 after payment of governmental activities of \$91,800,551 and transfers of \$64,185 with program revenues of \$64,481,217 and general revenues of \$57,300,457. Governmental net assets at June 30, 2002 were \$130,593,387.



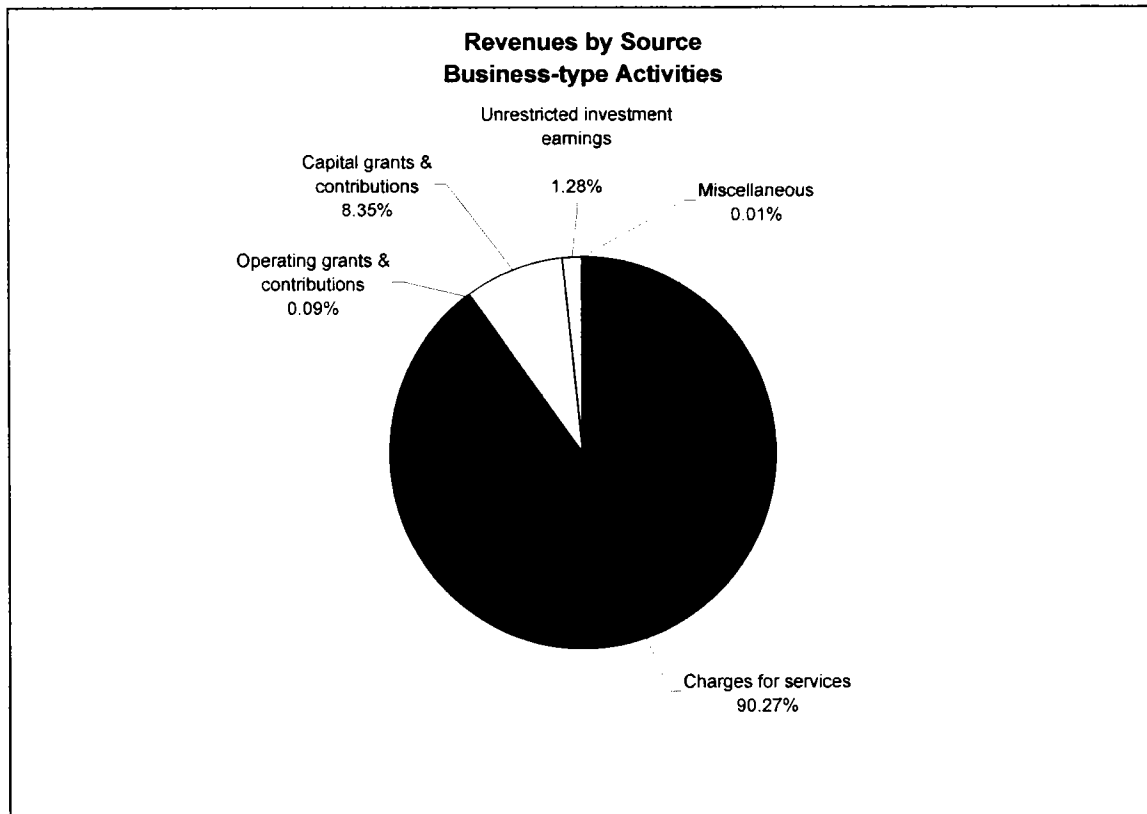
**Program Expenses
Governmental Activities**

Governmental activities:					
	Total Expense	Percent of Total		Total Expense	Percent of Total
Administrative and general	\$ 9,466,318	10%	Sanitation	2,815,772	3%
Police	10,134,174	11%	Urban environmental	340,057	0%
Fire protection	6,849,872	7%	Public health, safety and other	1,627,425	2%
Judicial	258,396	0%	Other governmental activities	3,248,602	4%
Legal	480,855	1%	Recreation	6,780,898	7%
Personnel	329,742	0%	Community development	734,553	1%
Streets	3,627,182	4%	Education	38,314,527	42%
Planning and engineering	1,453,396	2%	Food service	2,006,462	2%
Building inspections	753,094	1%	Interest on long-term debt	2,579,226	3%
			Total governmental activities	\$ 91,800,551	100%

Business-type Activities

The business-type activities increased the City of Murfreesboro's net assets by \$10,797,519, accounting for 26 percent of the total growth of the City's net assets. The business-type activities include a water and sewer operation, a electrical distribution operation and a cemetery. The cost of all business-type activities this year was \$83,295,563. As shown in the Statement of Activities, the amounts paid by users of the operations were \$84,965,483. The costs of operations were funded by operating grants

and contributions of \$85,815, capital grants and contributions of \$7,856,270, unrestricted investment earnings of \$1,207,586, and miscellaneous revenues of \$4,813. There were also transfers to other funds of \$64,185.



**Expenses and Program Revenues
Business-type Activities**

	Expenses	Program Revenue	Expense as a Percent of Revenue
Water & Sewer	\$ 17,301,578	\$ 24,868,112	70%
Electric	65,674,605	67,698,553	97%
Cemetery	319,380	340,903	94%
	<u>\$ 83,295,563</u>	<u>\$ 92,907,568</u>	<u>90%</u>

The Water and Sewer Department had an increase in developer contributions to the system of \$1,269,175 from the prior year. The Electric Department experienced higher than normal overhead line expenses as a result of a preventative maintenance program of tree trimming around lines. The Electric Department also had increased employee benefit costs due to higher health insurance costs and higher pension costs as a result of market declines in the pension investment fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

As of June 30, 2002 the City of Murfreesboro's governmental funds reported combined ending fund balances of \$40,100,920, an increase of \$6,473,934 in comparison with the prior year. The majority of the increase in fund balance (\$5,973,083) is from the 2001 TML Fund, which is a variable rate loan. The current year included a large draw-down to reimburse the City for prior year expenditures. The Debt Service Fund contributed an additional \$1,107,857 to the fund balance as the City experienced much lower interest rates with the variable debt than had been anticipated. The General Purpose School Fund had a \$472,964 decrease in fund balance because of an increase in health insurance costs and a decrease in local and state shared revenues, which resulted from a slower student population growth than anticipated.

The general fund is the chief operating fund of the City of Murfreesboro. At June 30, 2002, the fund balance is \$22,771,963, an increase of \$638,544. The City has been experiencing a surge in growth and instituted a new fee structure for building permits and licensing, which increased revenues \$744,641 from the prior year. Local taxes experienced growth of \$1,406,537 due to our expanding tax base. The state income tax allocation declined by \$1,350,455 because of a dividend distribution made by a local bank in the prior year that was not repeated in the current year. Like the General Purpose School Fund the City's general fund realized an large increase to its health insurance costs which increased expenditures \$581,264.

Proprietary Funds

The City of Murfreesboro's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

Net assets of the Water and Sewer Department at June 30, 2002 were \$158,022,208, which is an increase of \$8,344,299. The Electric Department had net assets of \$48,713,034 at June 30, 2002, which is an increase of \$2,262,974.

Falling interest rates and the use of cash flow to finance capital improvements resulted in a decline in interest revenue for both of the utility departments for a combined total of \$541,741.

GENERAL FUND BUDGETARY HIGHLIGHTS

The only significant variations of actual results compared to the General Fund budget was that transfers-out were \$24,734,601 compared to a budget of \$25,806,607, a variance of \$1,072,006. The general fund realized a savings of \$881,751 because of lower than anticipated interest rates and a lower than anticipated outstanding principal balance. Additionally, the City did not transfer \$805,661 to the City's recreation program largely because of the delayed opening of a new major recreational facility.

The budget planned for a \$1,750,002 shortfall to be funded from available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon the existing fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Murfreesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2002 amounts to \$397,886,491 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, certain infrastructure, and utility distribution systems. The total increase in the City of Murfreesboro's investment in capital assets for the current fiscal year was 12 percent (a 25 percent increase for governmental activities and a 5 percent increase for business-type activities).

Increases in land purchases accounted for 26 percent of the increase in governmental capital assets. The majority of the land purchases (\$6,869,693) was for right-of-away needed for street projects. Additional land was also purchased for vehicle storage at the fleet service department as well as land for the recreation greenway trail.

The City has added \$9,128,531 to construction in progress for various projects, including a new recreational facility, remodeling to older school buildings and other school improvements, and a variety of street projects. Additions to construction in progress accounted for 30 percent of the growth in governmental capital assets.

Infrastructure assets include roads, bridges, sidewalks, and lighting systems. Certain of these assets, which are stationary and can be preserved for significantly longer than most capital assets, have been included in the City's financial statements for the first time in the fiscal year June 30, 2002. The assets included are those that were constructed, acquired or completed on or after July 1, 2001. Pursuant to GASB Statement No. 34, for all fiscal years beginning after June 15, 2005, the City must retroactively report all infrastructure assets acquired before July 1, 2001. The City expects to accomplish this retroactive reporting of infrastructure prior to that deadline. The assets included for the current year account for 27 percent of the growth in governmental capital assets.

As a result of maintained population growth, the utility operations continued additions and improvements of the distribution lines for a net increase in utility assets of \$13,099,495.

Capital Assets Net of Depreciation

	Governmental Activities	Business-type Activities	Total
Non-Depreciable Assets:			
Land	\$ 35,668,492	\$ 11,133,394	\$ 46,801,886
Construction in progress	23,367,604	24,089,498	47,457,102
Other Capital Assets:			
Buildings	67,603,207	53,719,172	121,322,379
Improvements other than buildings	25,973,970		25,973,970
Transmission & distribution mains		125,195,007	125,195,007
Electric plants		62,301,318	62,301,318
Unamortized plant acquisition		40,255	40,255
Equipment	16,325,217	30,189,941	46,515,158
Infrastructure	8,180,456		8,180,456
Accumulated depreciation	(28,815,830)	(57,085,210)	(85,901,040)
Total	<u>\$ 148,303,116</u>	<u>\$ 249,583,375</u>	<u>\$ 397,886,491</u>

Additional information on the City of Murfreesboro's capital assets can be found in note F on pages 38 - 39 of this report.

Long-term Debt

Total long-term debt for the City of Murfreesboro increased \$5,769,071 during the year ended June 30, 2002. Debt from governmental activities increased \$9,755,268 (11 percent) and business-type activities debt has decreased \$3,986,197 (5 percent).

The City has 76 percent of its governmental long-term debt in the form of variable rate loans, the average interest rate for the year was 2.1 percent. These loans are drawn down periodically as the money is needed for a variety of projects, the largest of which is street improvements.

The electric department borrowed \$3,500,000 from the Tennessee Municipal Bond Fund in July 2002 to complete funding of several capital improvement projects. Prior to this loan the electric department had two revenue bonds outstanding totaling \$7,500,000.

Additional information on the City of Murfreesboro's long-term debt can be found in note G on pages 40 - 43 of this report.

Long-term Debt Outstanding June 30, 2002

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 16,770,000	\$ 1,585,000	\$ 18,355,000
Tennessee Municipal Bond Fund loans	73,085,532	4,281,741	77,367,273
Revenue bonds		7,500,000	7,500,000
Matured bonds payable		36,002	36,002
Less: Deferred amounts		(134,667)	(134,667)
Loans from State of Tennessee		1,432,586	1,432,586
State revolving loan		53,009,987	53,009,987
Estimated landfill closure costs	1,812,000		1,812,000
Compensated absences	1,924,033	661,059	2,585,092
Loans payable - Utility plant acquisition		32,710	32,710
Claims and judgements	2,557,272		2,557,272
	<u>\$ 96,148,837</u>	<u>\$ 68,404,418</u>	<u>\$ 164,553,255</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The population growth of the City of Murfreesboro continues to be a major factor in annual budgeting. The City has recognized a 41 percent growth in property taxes in the past five years and an 99 percent growth in the past ten years. The City has budgeted to do a special census in the upcoming fiscal year in an attempt to get a larger share of the state shared revenues, which are based on population.

The general fund appropriations for the fiscal year 2002-2003 have increased 5 percent over the past fiscal year. While the population has grown, the school system student population has not increased at the same pace. Rutherford County has been aggressively building new schools in order to handle their share of the growth and many City students are choosing to attend some of these new County schools. The appropriation for the school system from the City has increased 38 percent for year 2002-2003 in order to compensate for their decrease in shared funds.

The State of Tennessee continues to suffer budget problems and the City will closely monitor the situation as a decrease in shared revenues could have a direct impact on local taxpayers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Murfreesboro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P.O. Box 1139, Murfreesboro, TN 37133-1139.

CITY OF MURFREESBORO, TENNESSEE

Statement of Net Assets

June 30, 2002

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 43,429,261	\$ 2,759,718	\$ 46,188,979
Receivables, net of allowance for uncollectibles	39,801,364	5,051,320	44,852,684
Internal balances	(258,390)	258,390	-
Inventories	236,890	1,358,251	1,595,141
Prepaid items and other assets		231,766	231,766
Deferred charges		290,907	290,907
Restricted assets -			
Cash and cash equivalents	291,919	3,909,166	4,201,085
Investments, at fair value	1,185,927	19,187,000	20,372,927
Deposits in escrow		555,661	555,661
Capital assets, net of depreciation	148,303,116	249,583,375	397,886,491
Total Assets	\$ <u>232,990,087</u>	\$ <u>283,185,554</u>	\$ <u>516,175,641</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 4,153,322	\$ 3,912,648	\$ 8,065,970
Contracts payable		896,834	896,834
Deferred revenue	839,875		839,875
Deposits held	745,819	2,618,654	3,364,473
Other deposits	370,456		370,456
Matured bond interest payable	859		859
Other liabilities	137,532	21,976	159,508
Long-term liabilities -			
Due within one year	14,702,466	4,732,845	19,435,311
Due in more than one year	81,446,371	63,671,573	145,117,944
Total Liabilities	\$ <u>102,396,700</u>	\$ <u>75,854,530</u>	\$ <u>178,251,230</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 64,817,590	\$ 180,697,510	\$ 245,515,100
Restricted for -			
Education	9,694,119		9,694,119
Capital activity and debt service	3,048,805	20,345,827	23,394,632
Highways and streets	2,620,162		2,620,162
Other purposes	1,098,772		1,098,772
Perpetual care -			
Expendable	137,692		137,692
Nonexpendable	1,116,978		1,116,978
Unrestricted	48,059,269	6,287,687	54,346,956
Total Net Assets	\$ <u><u>130,593,387</u></u>	\$ <u><u>207,331,024</u></u>	\$ <u><u>337,924,411</u></u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Activities

Year Ended June 30, 2002

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities -							
Administrative and general	\$ 9,466,318	\$ 157,521			\$ (9,308,797)		\$ (9,308,797)
Police	10,134,174	368,771	\$ 456,015		(9,309,388)		(9,309,388)
Fire protection	6,849,872	239,617			(6,610,255)		(6,610,255)
Judicial	258,396	1,983,892			1,725,496		1,725,496
Legal	480,855				(480,855)		(480,855)
Personnel	329,742				(329,742)		(329,742)
Streets	3,627,182	9,607	2,107,174	\$ 13,361,372	11,850,971		11,850,971
Planning and engineering	1,453,396	19,659			(1,433,737)		(1,433,737)
Building inspections	753,094	1,666,083			912,989		912,989
Sanitation	2,815,772	15,529	15,665		(2,784,578)		(2,784,578)
Urban environmental	340,057				(340,057)		(340,057)
Public health, safety and other	1,627,425			3,416,412	1,788,987		1,788,987
Other governmental activities	3,248,602	1,421,814	244,023	153,542	(1,429,223)		(1,429,223)
Recreation	6,780,898	2,410,568	142,138	559,884	(3,668,308)		(3,668,308)
Community development	734,553	224	736,989		2,660		2,660
Education	38,314,527	1,529,442	31,372,261		(5,412,824)		(5,412,824)
Food service	2,006,462	1,047,967	961,075		2,580		2,580
Interest on long-term debt	2,579,226	83,973			(2,495,253)		(2,495,253)
Total governmental activities	\$ 91,800,551	\$ 10,954,667	\$ 36,035,340	\$ 17,491,210	\$ (27,319,334)		\$ (27,319,334)
Business-type activities -							
Water and sewer	\$ 17,301,578	\$ 17,011,842		\$ 7,856,270		\$ 7,566,534	\$ 7,566,534
Electric	65,674,605	67,698,553				2,023,948	2,023,948
Cemetery	319,380	255,088	\$ 85,815			21,523	21,523
Total business-type activities	\$ 83,295,563	\$ 84,965,483	\$ 85,815	\$ 7,856,270		\$ 9,612,005	\$ 9,612,005
Total primary government	\$ 175,096,114	\$ 95,920,150	\$ 36,121,155	\$ 25,347,480	\$ (27,319,334)	\$ 9,612,005	\$ (17,707,329)
General Revenues -							
Taxes -							
Property taxes					\$ 27,838,214		\$ 27,838,214
Sales taxes					16,785,657		16,785,657
Other taxes					4,679,961		4,679,961
Grants and contributions not restricted to specific programs					6,988,901		6,988,901
Unrestricted investment earnings					758,707	\$ 1,207,586	1,966,293
Miscellaneous					249,017	4,813	253,830
Contributions to permanent funds						37,300	37,300
Transfers					64,185	(64,185)	-
Total general revenues, special items, and transfers					\$ 57,364,642	\$ 1,185,514	\$ 58,550,156
Change in net assets					\$ 30,045,308	\$ 10,797,519	\$ 40,842,827
Net assets - beginning					100,548,079	196,533,505	297,081,584
Net assets - ending					\$ 130,593,387	\$ 207,331,024	\$ 337,924,411

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Balance Sheet
Governmental Funds

June 30, 2002

	General	General Purpose School	Debt Service	2001 TML Loan	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 18,201,467	\$ 2,824,865	\$ 3,049,664	\$ 4,724,100	\$ 11,309,050	\$ 40,109,146
Receivables, net of allowance for uncollectibles -						
Taxes	25,686,306					25,686,306
Accounts		22,073			558,234	580,307
Other	639,381				30,992	670,373
Due from other funds	3,663,290	148,708			1,541,417	5,353,415
Due from other governments	3,824,153	7,738,097		90,000	1,178,640	12,830,890
Inventories					173,804	173,804
Restricted assets -						
Cash and cash equivalents	263,110				28,809	291,919
Investments, at fair value					1,185,927	1,185,927
Total Assets	<u>\$ 52,277,707</u>	<u>\$ 10,733,743</u>	<u>\$ 3,049,664</u>	<u>\$ 4,814,100</u>	<u>\$ 16,006,873</u>	<u>\$ 86,882,087</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 1,281,767	\$ 282,994		\$ 834,822	\$ 864,247	\$ 3,263,830
Accrued liabilities		399,425			99,960	499,385
Deposits held	745,819					745,819
Matured bond interest payable			\$ 859			859
Due to other funds	1,157,669	113,950		286,597	6,328,352	7,886,568
Due to other governments	57,693	1,031			52,154	110,878
Deferred revenue	26,125,264	6,544,022			1,096,554	33,765,840
Other deposits					370,456	370,456
Other liabilities	137,532					137,532
Total Liabilities	<u>\$ 29,505,744</u>	<u>\$ 7,341,422</u>	<u>\$ 859</u>	<u>\$ 1,121,419</u>	<u>\$ 8,811,723</u>	<u>\$ 46,781,167</u>

(continued)

CITY OF MURFREESBORO, TENNESSEE

Balance Sheet (continued)
Governmental Funds

June 30, 2002

	<u>General</u>	<u>General Purpose School</u>	<u>Debt Service</u>	<u>2001 TML Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>FUND BALANCES</u>						
Reserved for -						
Inventories					\$ 115,634	\$ 115,634
Encumbrances		\$ 183,449				183,449
Technology		1,274,430				1,274,430
Perpetual care					1,116,978	1,116,978
Other purposes	\$ 86,277	20,593				106,870
Unreserved, reported in -						
General Fund						
Designated	276,414					276,414
Undesignated	22,409,272					22,409,272
Special Revenue Funds						
Designated					457,848	457,848
Undesignated		1,913,849			5,393,196	7,307,045
Debt Service			\$ 3,048,805			3,048,805
Capital projects				\$ 3,692,681	(26,198)	3,666,483
Permanent fund					137,692	137,692
Total Fund Balances	<u>\$ 22,771,963</u>	<u>\$ 3,392,321</u>	<u>\$ 3,048,805</u>	<u>\$ 3,692,681</u>	<u>\$ 7,195,150</u>	<u>\$ 40,100,920</u>
Total Liabilities and Fund Balances	<u>\$ 52,277,707</u>	<u>\$ 10,733,743</u>	<u>\$ 3,049,664</u>	<u>\$ 4,814,100</u>	<u>\$ 16,006,873</u>	<u>\$ 86,882,087</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

**Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities**

June 30, 2002

Total Governmental Fund Balances	\$ 40,100,920
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	148,303,116
Internal service funds are used by management to charge costs of employee health insurance, worker's compensation benefits, liability insurance, and fleet and equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,085,524
Charges are made by the general fund to other funds for costs of certain salaries and overhead costs. Internal balances related to charges to business-type funds are eliminated in the government-wide statements	(230,573)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	32,925,965
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(93,591,565)
Net Assets of Governmental Funds	<u>\$ 130,593,387</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2002

	General Fund	General Purpose School	Debt Service Fund	2001 TML Fund	Other Governmental Funds	Total Governmental Funds
Revenues-						
Taxes	\$ 45,001,012				\$ 439,621	\$ 45,440,633
Intergovernmental	6,609,556	\$ 27,879,519		\$ 90,000	8,552,167	43,131,242
Charges for services	365,260	65,711			5,123,692	5,554,663
Interest and investment earnings	304,120		\$ 33,533	118,845	352,514	809,012
Licenses and permits	3,697,069					3,697,069
Miscellaneous	2,037,355	432,987	83,973	491,840	4,584,715	7,630,870
	<u>\$ 58,014,372</u>	<u>\$ 28,378,217</u>	<u>\$ 117,506</u>	<u>\$ 700,685</u>	<u>\$ 19,052,709</u>	<u>\$ 106,263,489</u>
Expenditures-						
Administrative and general	\$ 9,168,864					\$ 9,168,864
Police	8,941,443				\$ 258,956	9,200,399
Fire protection	6,544,473					6,544,473
Judicial	240,725					240,725
Legal	482,339					482,339
Personnel	316,453					316,453
Streets	2,303,089				1,012,499	3,315,588
Planning and engineering	1,397,471					1,397,471
Building inspections	750,636					750,636
Sanitation					2,516,470	2,516,470
Urban Environmental	311,391					311,391
Public health, safety and other	996,071					996,071
Other expenditures	1,188,272			\$ 316,218	1,539,527	3,044,017
Recreation					5,907,853	5,907,853
Community development					732,989	732,989
Education		\$ 32,162,015			4,620,920	36,782,935
Food Service					2,006,462	2,006,462
Capital outlay/fixed assets		3,204,869		9,583,884	10,018,570	22,807,323
Debt service:						
Principal			\$ 11,460,767			11,460,767
Interest			2,454,062			2,454,062
Fiscal Agent Fees			125,164			125,164
	<u>\$ 32,641,227</u>	<u>\$ 35,366,884</u>	<u>\$ 14,039,993</u>	<u>\$ 9,900,102</u>	<u>\$ 28,614,246</u>	<u>\$ 120,562,452</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 25,373,145</u>	<u>\$ (6,988,667)</u>	<u>\$ (13,922,487)</u>	<u>\$ (9,199,417)</u>	<u>\$ (9,561,537)</u>	<u>\$ (14,298,963)</u>
Other Sources (Uses)-						
Proceeds from debt issues				\$ 15,172,500	\$ 5,960,000	\$ 21,132,500
Operating transfers in		\$ 6,515,703	\$ 15,030,344		7,045,708	28,591,755
Operating transfers out	<u>\$ (24,734,601)</u>				<u>(4,216,757)</u>	<u>(28,951,358)</u>
	<u>\$ (24,734,601)</u>	<u>\$ 6,515,703</u>	<u>\$ 15,030,344</u>	<u>\$ 15,172,500</u>	<u>\$ 8,788,951</u>	<u>\$ 20,772,897</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 638,544</u>	<u>\$ (472,964)</u>	<u>\$ 1,107,857</u>	<u>\$ 5,973,083</u>	<u>\$ (772,586)</u>	<u>\$ 6,473,934</u>
Fund Balance at beginning of year as previously reported	<u>\$ 22,133,419</u>	<u>\$ 3,468,096</u>	<u>\$ 1,940,948</u>	<u>\$ (2,280,402)</u>	<u>\$ 7,967,736</u>	<u>\$ 33,229,797</u>
Prior period adjustment		397,189				397,189
Fund Balance at beginning of year as restated	<u>\$ 22,133,419</u>	<u>\$ 3,865,285</u>	<u>\$ 1,940,948</u>	<u>\$ (2,280,402)</u>	<u>\$ 7,967,736</u>	<u>\$ 33,626,986</u>
Fund Balance at end of year	<u>\$ 22,771,963</u>	<u>\$ 3,392,321</u>	<u>\$ 3,048,805</u>	<u>\$ 3,692,681</u>	<u>\$ 7,195,150</u>	<u>\$ 40,100,920</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2002

Net Change in Fund Balances - Total Governmental Funds	\$ 6,473,934
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	29,798,943
In the statement of activities, the loss on the disposal of equipment is reported, whereas in the governmental funds, only the proceeds from a sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the loss reported when no proceeds were received.	(15,133)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,809,375
Bond and loan proceeds provide current financial resources to governmental funds, while the repayment of principal on debt is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which proceeds exceeded repayments.	(9,671,733)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(181,900)
Internal service funds are used by management to charge costs of employee health insurance, worker's compensation benefits, liability insurance, and fleet and equipment maintenance to individual funds. The net revenue of certain internal service funds is reported with governmental activities.	62,395
Charges are made by the general fund to other funds for costs of certain salaries and overhead costs. Internal balances related to charges to business-type funds are eliminated in the government-wide statements.	(230,573)
Change in Net Assets of Governmental Activities	<u><u>30,045,308</u></u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Balance Sheet
Proprietary Funds

June 30, 2002

	<u>Business-Type Activities</u>				<u>Governmental Activities</u>
	<u>Murfreesboro Water and Sewer</u>	<u>Murfreesboro Electric Department</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
<u>ASSETS</u>					
Current Assets -					
Cash and cash equivalents	\$ 2,571,976	\$ 115,612	\$ 72,130	\$ 2,759,718	\$ 3,320,115
Receivables -					
Accounts	1,080,668	3,850,669	68,712	5,000,049	
Other	51,271			51,271	33,488
Due from other funds			32,412	32,412	2,505,696
Inventories	430,040	885,113	43,098	1,358,251	63,086
Prepaid expenses and other assets	122,159	105,682	3,925	231,766	
Total Current Assets	<u>\$ 4,256,114</u>	<u>\$ 4,957,076</u>	<u>\$ 220,277</u>	<u>\$ 9,433,467</u>	<u>\$ 5,922,385</u>
Noncurrent Assets -					
Restricted assets -					
Cash and cash equivalents	\$ 3,401,105	\$ 508,061		\$ 3,909,166	
Investments	15,500,000	3,687,000		19,187,000	
Deposits in escrow	555,661			555,661	
Deferred charges	61,830	229,077		290,907	
Capital assets, net of accumulated depreciation	196,340,931	53,096,471	\$ 145,973	249,583,375	
Total Noncurrent Assets	<u>\$ 215,859,527</u>	<u>\$ 57,520,609</u>	<u>\$ 145,973</u>	<u>\$ 273,526,109</u>	
Total Assets	<u>\$ 220,115,641</u>	<u>\$ 62,477,685</u>	<u>\$ 366,250</u>	<u>\$ 282,959,576</u>	<u>\$ 5,922,385</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities -					
Accounts payable	\$ 151,338	\$ 3,079,089		\$ 3,230,427	\$ 279,229
Contracts payable	896,834			896,834	
Accrued and withheld liabilities	70,080	611,101	\$ 1,041	682,222	
Due to other funds	4,594			4,594	360
Deposits held	131,009	2,487,645		2,618,654	
Compensated absences	494,262			494,262	
Claims and judgments payable					946,191
Bonds and loans payable	3,430,873	807,710		4,238,583	
Total Current Liabilities	<u>\$ 5,178,990</u>	<u>\$ 6,985,545</u>	<u>\$ 1,041</u>	<u>\$ 12,165,576</u>	<u>\$ 1,225,780</u>
Noncurrent Liabilities -					
Compensated absences		\$ 166,797		\$ 166,797	
Claims and judgments payable					\$ 1,611,081
Bonds and loans payable	\$ 56,914,443	6,590,333		63,504,776	
Other liabilities		21,976		21,976	
Total Noncurrent Liabilities	<u>\$ 56,914,443</u>	<u>\$ 6,779,106</u>		<u>\$ 63,693,549</u>	<u>\$ 1,611,081</u>
Net Assets -					
Invested in capital assets, net of related debt	\$ 134,934,209	\$ 45,640,820	\$ 122,481	\$ 180,697,510	
Restricted for capital activity and debt service	19,456,766	889,061		20,345,827	
Unrestricted	3,631,233	2,183,153	242,728	6,057,114	\$ 3,085,524
Total Net Assets	<u>\$ 158,022,208</u>	<u>\$ 48,713,034</u>	<u>\$ 365,209</u>	<u>\$ 207,100,451</u>	<u>\$ 3,085,524</u>
Total Liabilities and Net Assets	<u>\$ 220,115,641</u>	<u>\$ 62,477,685</u>	<u>\$ 366,250</u>	<u>\$ 282,959,576</u>	<u>\$ 5,922,385</u>
Total Net Assets				\$ 207,100,451	
Adjustment to reflect the elimination of internal charges for salaries and overhead related to enterprise funds				230,573	
Net Assets of Business-Type Activities				<u>\$ 207,331,024</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year Ended June 30, 2002

	Business-Type Activities			Governmental Activities	
	Murfreesboro Water and Sewer	Murfreesboro Electric Department	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating Revenues -					
Charges for services	\$ 17,011,842	\$ 67,698,553	\$ 255,088	\$ 84,965,483	\$ 6,924,148
Other revenues					898
	<u>\$ 17,011,842</u>	<u>\$ 67,698,553</u>	<u>\$ 255,088</u>	<u>\$ 84,965,483</u>	<u>\$ 6,925,046</u>
Operating Expenses -					
Power purchases		\$ 56,147,355		\$ 56,147,355	
Other operating expenses	\$ 9,115,397	3,892,813	\$ 301,640	13,309,850	\$ 1,159,029
Claims and administrative					6,115,649
Depreciation and amortization	4,941,393	2,346,951	17,740	7,306,084	
Maintenance and repairs	784,267	1,044,024		1,828,291	
Taxes and tax equivalents		1,824,132		1,824,132	
	<u>\$ 14,841,057</u>	<u>\$ 65,255,275</u>	<u>\$ 319,380</u>	<u>\$ 80,415,712</u>	<u>\$ 7,274,678</u>
Operating Income (Loss)	<u>\$ 2,170,785</u>	<u>\$ 2,443,278</u>	<u>\$ (64,292)</u>	<u>\$ 4,549,771</u>	<u>\$ (349,632)</u>
Nonoperating Revenues -					
Interest	\$ 917,881	\$ 286,126	\$ 3,579	\$ 1,207,586	\$ 72,810
Gain on sale of fixed assets	4,813			4,813	
	<u>\$ 922,694</u>	<u>\$ 286,126</u>	<u>\$ 3,579</u>	<u>\$ 1,212,399</u>	<u>\$ 72,810</u>
Nonoperating Expenses -					
Interest	\$ 2,605,450	\$ 466,430		\$ 3,071,880	
Income (Loss) Before Capital Contributions and Transfers	\$ 488,029	\$ 2,262,974	\$ (60,713)	\$ 2,690,290	\$ (276,822)
Capital contributions	7,856,270			7,856,270	
Transfers in			58,930	58,930	300,673
Change in Net Assets	<u>\$ 8,344,299</u>	<u>\$ 2,262,974</u>	<u>\$ (1,783)</u>	<u>\$ 10,605,490</u>	<u>\$ 23,851</u>
Net Assets at beginning of year	\$ 149,677,909	\$ 46,450,060	\$ 366,992	\$ 196,494,961	\$ 4,050,673
Prior period adjustment					(989,000)
Net Assets at beginning of year as restated	<u>\$ 149,677,909</u>	<u>\$ 46,450,060</u>	<u>\$ 366,992</u>	<u>\$ 196,494,961</u>	<u>\$ 3,061,673</u>
Net Assets at end of year	<u><u>\$ 158,022,208</u></u>	<u><u>\$ 48,713,034</u></u>	<u><u>\$ 365,209</u></u>	<u><u>\$ 207,100,451</u></u>	<u><u>\$ 3,085,524</u></u>
Change in Net Assets				\$ 10,605,490	
Adjustment to reflect the elimination of internal charges for salaries and overhead related to enterprise funds				230,573	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(38,544)	
Change in Net Assets of Business-Type Activities				<u><u>\$ 10,797,519</u></u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2002

	<u>Business-Type Activities</u>				<u>Governmental Activities</u>
	<u>Murfreesboro Water and Sewer</u>	<u>Murfreesboro Electric Department</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Cash Flows from Operating Activities -					
Cash received from customers	\$ 16,903,297	\$ 67,293,085	\$ 281,638	\$ 84,478,020	
Cash payments to suppliers and employees	(9,166,157)	(4,761,569)	(307,576)	(14,235,302)	\$ (869,660)
Cash payments to TVA for power		(54,853,270)		(54,853,270)	
Cash payments of property taxes		(1,625,274)		(1,625,274)	
Cash received from interfund services provided					7,078,209
Cash payments of claims and administrative expenses					(6,170,233)
Other receipts (payments)					(351,557)
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,737,140</u>	<u>\$ 6,052,972</u>	<u>\$ (25,938)</u>	<u>\$ 13,764,174</u>	<u>\$ (313,241)</u>
Cash Flows from Noncapital Financing Activities -					
Payments on TVA conservation loans		\$ (19,274)		\$ (19,274)	
Operating transfers in			\$ 58,930	58,930	\$ 300,673
Net Cash Provided (Used) by Noncapital Financing Activities		<u>\$ (19,274)</u>	<u>\$ 58,930</u>	<u>\$ 39,656</u>	<u>\$ 300,673</u>
Cash Flows from Capital and Related Financing Activities -					
Acquisition and construction of fixed assets	\$ (10,363,779)	\$ (5,641,439)	\$ (8,339)	\$ (16,013,557)	
Proceeds from tap and connection fees	3,127,875			3,127,875	
Principal payment on bonds and loans	(3,262,445)	(777,710)		(4,040,155)	
Additions to bond sinking funds		(163,614)		(163,614)	
Interest paid on bonds and loans	(2,595,273)	(469,314)		(3,064,587)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (13,093,622)</u>	<u>\$ (7,052,077)</u>	<u>\$ (8,339)</u>	<u>\$ (20,154,038)</u>	
Cash Flows From Investing Activities -					
Interest received	\$ 987,635	\$ 294,092	\$ 3,579	\$ 1,285,306	\$ 78,675
Maturities of investments	11,000,000	3,806,000		14,806,000	
Purchase of investments	(7,500,000)	(3,306,000)		(10,806,000)	
Net Cash Provided (Used) by Investing Activities	<u>\$ 4,487,635</u>	<u>\$ 794,092</u>	<u>\$ 3,579</u>	<u>\$ 5,285,306</u>	<u>\$ 78,675</u>
Net Increase (Decrease) in cash and cash equivalents	\$ (868,847)	\$ (224,287)	\$ 28,232	\$ (1,064,902)	\$ 66,107
Cash and Cash Equivalents at beginning of year	6,841,927	339,899	43,898	7,225,724	3,254,008
Cash and Cash Equivalents at end of year	<u>\$ 5,973,080</u>	<u>\$ 115,612</u>	<u>\$ 72,130</u>	<u>\$ 6,160,822</u>	<u>\$ 3,320,115</u>

(continued)

CITY OF MURFREESBORO, TENNESSEE

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2002

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>	
	<u>Murfreesboro Water and Sewer</u>	<u>Murfreesboro Electric Department</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 2,170,785	\$ 2,443,278	\$ (64,292)	\$ 4,549,771	\$ (349,632)
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:					
Depreciation and amortization	5,208,458	2,441,767	17,740	7,667,965	
Gain on disposal of assets	4,813			4,813	
Changes in assets and liabilities -					
Accounts receivable	(108,543)	(617,412)	26,551	(699,404)	
Due from other funds					154,061
Inventory	35,830	101,172	1,362	138,364	(63,086)
Prepaid expenses	(10,111)	45,612	(668)	34,833	
Other current assets		(2,127)		(2,127)	(29,494)
Conservation loans receivable		13,787		13,787	
Deferred charges		(93,869)		(93,869)	
Accounts payable	(24,764)	1,349,473	(2,359)	1,322,350	(25,450)
Contracts and retainage payable	449,718			449,718	
Due to other funds	4,594			4,594	360
Accrued and withheld liabilities	31,853	171,007	(4,272)	198,588	
Other liabilities		141		141	
Deposits	(25,491)	200,143		174,652	
Net Cash Provided (Used) by Operating Activities	\$ <u>7,737,142</u>	\$ <u>6,052,972</u>	\$ <u>(25,938)</u>	\$ <u>13,764,176</u>	\$ <u>(313,241)</u>
Non-Cash Capital and Related Financing Activities -					
Contributions in aid of construction	\$ <u>4,728,396</u>			\$ <u>4,728,396</u>	
Reconciliation to Cash and Cash Equivalents Presented in Statement of Net Assets -					
Cash and cash equivalents	\$ 2,571,976	\$ 115,612	\$ 72,130	\$ 2,759,718	\$ 3,320,115
Cash and cash equivalents - restricted	<u>3,401,104</u>			<u>3,401,104</u>	
Cash and cash equivalents at end of year	\$ <u>5,973,080</u>	\$ <u>115,612</u>	\$ <u>72,130</u>	\$ <u>6,160,822</u>	\$ <u>3,320,115</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Net Assets

Fiduciary Funds

June 30, 2002

	<u>Pension Trust Funds</u>	<u>Extended School Program Private Purpose Trust Fund</u>	<u>School Activity Agency Fund</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,041,647	\$ 141,505	\$ 548,977
Investments	45,974,549		
Accrued interest receivable	69,553		
Contributions receivable	507,846		
Other receivables			1,239
Inventory			20,777
	<u>\$ 51,593,595</u>	<u>\$ 141,505</u>	<u>\$ 570,993</u>
<u>LIABILITIES</u>			
Due to others			<u>\$ 570,993</u>
<u>NET ASSETS</u>			
Net Assets -			
Held in trust for pension benefits and other purposes	<u>\$ 51,593,595</u>	<u>\$ 141,505</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2002

	Pension Trust Funds	Extended School Program Private Purpose Trust Fund
Additions -		
Contributions -		
Employer	\$ 2,758,846	
Investment income-		
Net depreciation in fair value of investments	\$ (3,673,334)	
Interest	1,846,959	\$ 1,768
Dividends	235,017	
Total investment income	\$ (1,591,358)	\$ 1,768
Less investment fees	(25,616)	
Net investment income	\$ (1,616,974)	\$ 1,768
Total additions	\$ 1,141,872	\$ 1,768
Deductions -		
Benefits to participants	\$ 1,481,410	
Insurance premiums	316,249	
Total deductions	\$ 1,797,659	
Net Increase (Decrease)	\$ (655,787)	\$ 1,768
Net Assets Held in Trust for Pension Benefits -		
Beginning of year	52,249,382	139,737
End of year	\$ 51,593,595	\$ 141,505

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements

June 30, 2002

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Murfreesboro, Tennessee (the "City") was first chartered by the Tennessee General Assembly (State Legislature) in 1811. The present charter was granted in 1931 and has been amended as needed. The City operates under a Council-Manager form of government. The City's major operations include police and fire protection, parks, education, recreation, public works and general administrative services. In addition, the City owns and operates a water and sewer system and an electric utility.

The accounting and reporting policies of the City relating to the funds included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The GASB periodically updates its codification of the existing Governmental Accounting and Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting policies of the City are described below.

In June 1999, the GASB issued Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for the most significant change in financial reporting in over twenty years and requires implementation starting with fiscal years ending after June 15, 2002. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City has implemented the general provisions of the Statement in the current year. The retroactive reporting of infrastructure is required to be implemented no later than fiscal years beginning after June 15, 2005.

Reporting Entity

The City, for financial purposes, includes all the funds relevant to the operations of the City of Murfreesboro, Tennessee (the primary government). The City is also required to include in its financial statements those separately administered organizations (component units) with which the City has significant operational or financial relationships. The criteria for including organizations as component units within the City's reporting entity include whether the organization is legally separate and whether the City holds the corporate powers, whether the City appoints a majority of the organization's board and is able to impose its will, and the ability of the organization to impose a financial benefit or burden on the City. Based on the foregoing criteria, the City of Murfreesboro has no component units.

Complete financial statements of individual departments, considered part of the primary government, can be obtained from the administrative offices in the following locations:

Murfreesboro City Schools Central Office
2552 South Church Street
Murfreesboro

Evergreen Cemetery
519 Greenland Drive
Murfreesboro

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Murfreesboro Electric Department
205 North Maple Street
Murfreesboro

Murfreesboro Water and Sewer Department
300 Northwest Broad Street
Murfreesboro

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, licenses, state and federal grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Property taxes and accounts receivable are reduced by an allowance for uncollectible accounts.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The new model as defined in Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The general fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

General Purpose School Fund - The general purpose school fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for education.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the payment of principal, interest, and related costs of general long-term debt.

2001 TML Fund - The 2001 TML Fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

Murfreesboro Water and Sewer Fund - The Water and Sewer fund accounts for revenues and expenses related to potable water and sanitary sewer services provided to residents of the City.

Murfreesboro Electric Department Fund - The Electric Department fund accounts for the revenue and costs for providing electric utility service for the residential and commercial concerns of the City.

Additionally, the government reports the following fund types:

Internal Service Funds - The internal service funds consist of a *fleet services fund* that accounts for fleet and equipment management to other departments or agencies of the government on a cost reimbursement basis, a *risk management fund* that accounts for revenues and costs associated with the City's self-funded liability and worker's compensation insurance programs, and an *insurance fund* that accounts for revenues and costs associated with the City's self-funded group health insurance plan.

Pension Trust Funds - The pension trust funds account for assets held on behalf of City employees.

Private-purpose Trust Fund - The private-purpose trust fund accounts for funds donated to the Extended School Program. These funds are to be preserved and maintained so as to produce income to be used for tuition grants and program improvements.

Agency Fund - The agency fund accounts for the assets held by the schools in an agency capacity on behalf of various student, teacher and parent organizations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the electric department fund and of the City's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses of the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use unrestricted resources when budgeted first, then restricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash in checking accounts, interest-bearing deposits, and highly liquid investments (including restricted assets of the Water and Sewer department) with an original maturity of three months or less.

Investments - Investments are stated at fair value for all funds.

Inventories - Inventories held by the Enterprise Funds are stated at average cost on a first-in, first-out basis. Special Revenue Fund inventories are stated at cost on a first-in, first-out basis. The cost of inventories is recorded as expenditures when consumed. Inventories reported in governmental funds are offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though it is a component of net current assets. Although a reservation of fund balance is not required under the consumption method, this reservation is shown for management purposes only.

Restricted Assets - The City's restricted assets consist of the following:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
	<u>General</u>	<u>Other</u>	<u>Murfreesboro</u>	<u>Murfreesboro</u>	
	<u>Fund</u>	<u>Governmental</u>	<u>Water and</u>	<u>Electric</u>	
		<u>Funds</u>	<u>Sewer</u>	<u>Department</u>	<u>Total</u>
Restricted assets -					
Cash and cash equivalents	\$ 263,110	\$ 28,809	\$ 3,401,105	\$ 508,061	\$ 4,201,085
Investments		1,185,927	15,500,000	3,687,000	20,372,927
Deposits in escrow			555,661		555,661
Total restricted assets	<u>\$ 263,110</u>	<u>\$ 1,214,736</u>	<u>\$ 19,456,766</u>	<u>\$ 4,195,061</u>	<u>\$ 25,129,673</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets – Governmental Activities -

Certain proceeds from outside sources have been classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by outside sources. The general fund maintains separate bank accounts for the following restricted funds: Equitable sharing, police, felony funds, 125 plan contributions, and an unemployment insurance reserve. The amount of restricted funds in the general fund at June 30, 2002 is \$263,110.

The Cemetery is required by law to contribute twenty percent of lot sale proceeds into a perpetual care fund. The perpetual care fund is to ensure the maintenance of the Cemetery for future years. The Cemetery had \$28,809 in cash on hand and bank accounts, which was restricted in this manner at June 30, 2002. Also, periodically contributions are made in trust to local financial institutions for investments of funds received from the issuance of perpetual care certificates. The amount of investments restricted in this manner at June 30, 2002 is \$1,185,927.

Restricted Assets – Business-type Activities -

The Water and Sewer fund has restricted funds for plant expansion and replacement funds that are to be used for specifically approved capital improvements, both current and anticipated expansions and major repairs and replacements of existing plant to include emergency contingencies for major catastrophes and acts of God. The total amount restricted for this purpose is \$555,541. Water and Sewer connection fees in the amount of \$16,642,961 are restricted for new development and construction. Certain other amounts have been restricted for current and future year payments on loans from the State of Tennessee in the amount of \$2,258,264 at June 30, 2002.

The Electric Department has restricted funds in accordance with revenue bond ordinances which require the Department to establish a sinking fund to pay annual obligations for interest and principal on maturing bonds. At June 30, 2002, \$859,061 was restricted for this purpose. In addition to sinking fund requirements the bond ordinances require the Department to maintain reserves for renewal and replacement of utility plant financed by the bond issuances. The amount restricted for this purpose at June 30, 2002 is \$30,000. The plant expansion and replacement fund and emergency fund, which totals \$1,500,000, is restricted to be used specifically for approved capital improvements, both current and anticipated expansions, and major repairs and replacements of existing plant to include emergency contingencies for major catastrophes and acts of God (lightning, wind, etc.). Investments consists of various certificates of deposit bearing interest at 1.88%-4.71% maturing July 10, 2002 – July 10, 2003 in the amount of \$1,806,000.

Capital Assets and Depreciation - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Also, included in capital assets are infrastructure assets (e.g. streets, bridges, sidewalks, and similar items) constructed, acquired or completed on or after July 1, 2001. Pursuant to GASB Statement No. 34, for all fiscal years beginning after June 15, 2005, the City must retroactively report all infrastructure assets acquired before July 1, 2001. The City expects to accomplish retroactive reporting of infrastructure prior to that deadline.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The City defines capital assets as assets with an individual cost of more than \$5,000.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	10 – 50 years
Other improvements	20 – 50 years
Equipment	3 – 25 years
Infrastructure	50 years

Total depreciation for proprietary funds amounted to \$7,613,612 for the year ended June 30, 2002. Depreciation applicable to transportation equipment is charged to a transportation clearing account and then distributed to utility plant, construction work in progress and operating expenses based on the utilization of the equipment. Depreciation accounted for in this manner results in a difference between depreciation reported in the accompanying statement of cash flows and the amount reported in the statement of revenues, expenses and changes in net assets. A reconciliation of this difference is provided below:

	<u>Total Proprietary Funds</u>
Depreciation and amortization on statement of cash flows	\$ 7,667,965
Depreciation and amortization on statement of revenues, expenses, and changes in net assets	<u>7,306,084</u>
Difference (depreciation applicable to transportation equipment)	<u>\$ 361,881</u>

Interest cost incurred by the Murfreesboro Electric Department, during the construction of fixed assets is normally expensed due to the short duration of the construction period.

Long-term Debt – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, accrued compensated absences and claims and judgments payable.

Long-term debt for governmental funds is not reported in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for long-term debt in the proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences - City employees accrue personal leave, or compensated absences, by prescribed formula based on length of service. The value of accumulated benefits earned by employees, which may be used in subsequent years or paid upon termination or retirement, is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Property Taxes – An enforceable legal claim to taxable property arises on January 1 in the year of levy. Taxes are due on October 1 and are collected by the City Recorder. Taxes not paid by December 31 are declared delinquent. A provision for estimated uncollectible taxes is established based on prior collection experience. The government records all property taxes

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

collected within sixty days of year-end as revenue, with the amount not collected within sixty days of year-end as deferred revenue in the fund financial statements. All property taxes receivable, including the amount received after the 60-day period, are accrued in the government-wide financial statements.

Allowance for Uncollectible Accounts - The City's allowance for estimated uncollectible receivables at June 30, 2002 is as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Allowance for -		
Taxes Receivable	\$1,514,288	
Accounts Receivable		\$ 66,137

An allowance for uncollectible accounts was not considered necessary for the Murfreesboro Electric Department and the Murfreesboro Water and Sewer Department at June 30, 2002.

Estimates - Management is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reclassifications - Certain reclassifications have been made to correctly present beginning cash balances in the statement of cash flows for the enterprise funds.

Note B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$93,591,565 difference are as follows:

General Government -		
Bonds Payable	\$	16,770,000
TML Notes Payable		73,085,532
Compensated absences		1,751,343
Landfill post-closure costs		1,812,000
Murfreesboro City Schools -		
Compensated absences		172,690
Net adjustment	\$	<u>93,591,565</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances include a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide financial statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period."

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

The details of this \$29,798,943 difference is as follows:

Capital outlay	\$ 33,937,323
Depreciation	<u>(4,138,380)</u>
Net adjustment	\$ <u>29,798,943</u>

Another element of that reconciliation states that "Bond and loan proceeds provide current financial resources to governmental funds, while the repayment of principal on debt is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets." The details of this \$9,671,733 difference is as follows:

Debt issued or incurred	\$ 21,132,500
Principal repayments	<u>(11,460,767)</u>
Net adjustment	\$ <u>9,671,733</u>

Note C – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting - General governmental revenue and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements, which govern the City's operations.

Budgets have been adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and Special Revenue Funds with the exception of those funds of the Murfreesboro Board of Education. The budgets of the General Purpose School Fund, the School Federal Projects Funds, and the Extended School Program Fund are prepared on a basis consistent with generally accepted accounting principles except that encumbrances are treated as budgeted expenditures in the year of the commitment to purchase. Budgetary comparisons presented in this report for these funds are on this budgetary basis.

The City passed a resolution adopting the 1999-2003 Capital Improvement Program, which outlines bond needs for capital projects for the fiscal years beginning July 1, 1999 and ending June 30, 2003. The 2001-2002 portion of the approved program to be funded by bonds was \$34,990,000. The Capital Projects budgets are not included in the budget ordinance approved by City Council; therefore, no budget comparisons are presented in this report. The 2002-2003 portion of the approved program was included in the budget ordinance for the year ending June 30, 2003.

The City charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters the total

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note C – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued) -

expenditures of any fund must be approved by the City Council. All unencumbered and unexpended appropriations lapse at the end of the fiscal year. The budget amounts presented in the accompanying required supplemental information reflect the original and final amounts as revised and approved by the City Council.

Encumbrances - Encumbrances represent commitments related to unperformed (executory) contracts for goods and services.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used by the General Purpose School Fund, the School Federal Projects Funds, and the Extended School Program Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year.

However, encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, the accompanying financial statements present comparisons of actual results to the budgets on the budget basis for the General Purpose School Fund, the School Federal Projects Funds, and the Extended School Program Fund.

Budgetary – GAAP Reporting Reconciliation - The accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for the General Purpose School Fund presents comparisons of the legally adopted budget (described above) with actual data on a budgetary basis. The accompanying Schedules of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for the General Fund and Debt Service Fund are presented in accordance with generally accepted accounting principles (GAAP). Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in accordance with GAAP, a reconciliation of resultant basis and timing differences in the excess of revenues and other sources over expenditures and other uses for the year ended June 30, 2002 is presented below:

	<u>General Purpose School Fund</u>
Excess of revenues and other sources over expenditures and other uses (budgetary basis)	\$(449,978)
Adjustments:	
To adjust for net increase in encumbrance	(22,986)
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$(472,964)</u>

Note D - RELATED ORGANIZATIONS

The City Council is also responsible for appointing or approving appointments to the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints or approves appointments to the boards of the Murfreesboro Housing Authority, the Rutherford County Library System, and the City/County Cultural Arts Commission.

Note E - CASH AND INVESTMENTS

State statutes authorize the City to invest operating funds in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. Investments held by employee pension plans are limited to those types allowed by plan documents.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note E - CASH AND INVESTMENTS (continued)

Cash - At June 30, 2002, total demand deposits and certificates of deposit for the City were insured and/or collateralized in one of the following ways. Certain deposits were held in financial institutions, which are members of the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the pool) is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of collateral is inadequate to cover a loss. Other deposits were adequately insured either by collateral securities held by the City's agent in the City's name or Federal Depository Insurance. The City's deposits in financial institutions were entirely insured or collateralized at June 30, 2002.

Investments - The City's investments are categorized below to give an indication of the credit risk at June 30, 2002. Category 1 includes investments either insured, registered in the City's name, or held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent, but not in the City's name.

	<u>Category</u>			<u>Carrying</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	
<u>Employees Pension Trust Fund -</u>					
U.S. Government Securities		\$ 5,894,476		\$ 5,894,476	\$ 5,894,476
Corporate Bonds and Notes		17,844,651		17,844,651	17,844,651
Corporate Stocks		12,478,815		12,478,815	12,478,815
		<u>\$ 36,217,942</u>		<u>\$ 36,217,942</u>	<u>\$ 36,217,942</u>
Mutual Funds				3,435,882	3,435,882
				<u>\$ 39,653,824</u>	<u>\$ 39,653,824</u>
<u>Electric Department Employee Pension -</u>					
U.S. Government Securities		\$ 1,499,542		\$ 1,499,542	\$ 1,499,542
Corporate Bonds and Notes		2,451,243		2,451,243	2,451,243
Corporate Stocks		2,369,940		2,369,940	2,369,940
		<u>\$ 6,320,725</u>		<u>\$ 6,320,725</u>	<u>\$ 6,320,725</u>
<u>Evergreen Cemetary Commission</u>					
U.S. Government Securities		\$ 511,016		\$ 511,016	\$ 511,016
Corporate Bonds and Notes		584,355		584,355	584,355
		<u>\$ 1,095,371</u>		<u>\$ 1,095,371</u>	<u>\$ 1,095,371</u>
Mutual Funds				90,556	90,556
				<u>\$ 1,185,927</u>	<u>\$ 1,185,927</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note F - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002, was as follows:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2002</u>
<u>Governmental activities -</u>				
Capital assets, not being depreciated -				
Land	\$ 27,978,850	\$ 7,689,642		\$ 35,668,492
Construction in progress	<u>14,239,073</u>	<u>9,128,531</u>		<u>23,367,604</u>
Subtotal	\$ <u>42,217,923</u>	\$ <u>16,818,173</u>		\$ <u>59,036,096</u>
Capital assets, being depreciated -				
Buildings	\$ 61,933,967	\$ 5,669,240		\$ 67,603,207
Improvements other than buildings	25,186,360	787,610		25,973,970
Equipment	13,936,777	2,481,845	\$ 93,405	16,325,217
Infrastructure		<u>8,180,456</u>		<u>8,180,456</u>
Subtotal	\$ 101,057,104	\$ 17,119,151	\$ 93,405	\$ 118,082,850
Less accumulated depreciation	<u>(24,755,722)</u>	<u>(4,138,380)</u>	<u>78,272</u>	<u>(28,815,830)</u>
Capital assets, being depreciated, net	\$ <u>76,301,382</u>	\$ <u>12,980,771</u>	\$ <u>15,133</u>	\$ <u>89,267,020</u>
Capital assets, net	\$ <u>118,519,305</u>	\$ <u>29,798,944</u>	\$ <u>15,133</u>	\$ <u>148,303,116</u>

Depreciation was charged to functions as follows:

<u>Governmental activities -</u>	
Administrative and general	\$ 262,546
Police	634,157
Fire protection	236,969
Judicial	12,877
Personnel	6,021
Streets	93,278
Planning and engineering	16,741
Building inspections	1,986
Sanitation	180,362
Urban environmental	15,755
Public health, safety and other	35,929
Other government functions	328,052
Recreation	1,108,664
Education	<u>1,205,043</u>
Total governmental activities depreciation expense	\$ <u>4,138,380</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note F - CAPITAL ASSETS (continued) -

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2002</u>
<u>Business-type activities -</u>				
Capital assets, not being depreciated				
Land	\$ 7,240,814	\$ 3,892,580		\$ 11,133,394
Construction in progress	<u>27,070,667</u>	<u>2,021,877</u>	\$ <u>5,003,046</u>	<u>24,089,498</u>
Subtotal	\$ <u>34,311,481</u>	\$ <u>5,914,457</u>	\$ <u>5,003,046</u>	\$ <u>35,222,892</u>
Capital assets, being depreciated -				
Structures and improvements	\$ 50,532,981	\$ 3,190,866	\$ 4,675	\$ 53,719,172
Transmission and distribution mains	115,606,879	9,590,397	2,269	125,195,007
Electric plant	59,665,344	3,228,775	592,801	62,301,318
Unamortized plant acquisition	40,255			40,255
Equipment	<u>26,746,131</u>	<u>3,635,521</u>	<u>191,711</u>	<u>30,189,941</u>
Subtotal	\$ 252,591,590	\$ 19,645,559	\$ 791,456	\$ 271,445,693
Less accumulated depreciation	<u>(50,448,037)</u>	<u>(7,613,613)</u>	<u>976,440</u>	<u>(57,085,210)</u>
Capital assets, being depreciated, net	\$ <u>202,143,553</u>	\$ <u>12,031,946</u>	\$ <u>(184,984)</u>	\$ <u>214,360,483</u>
Capital assets, net	\$ <u>236,455,034</u>	\$ <u>17,946,403</u>	\$ <u>4,818,062</u>	\$ <u>249,583,375</u>

Depreciation was charged to functions as follows:

Business-type activities:

Water and sewer	\$ 5,208,459
Electric	2,387,414
Cemetery	<u>17,740</u>
Total business-type activities depreciation expense	\$ <u>7,613,613</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note G - LONG-TERM LIABILITIES

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	4.60-4.90%	\$ 8,405,000
Governmental activities –refunding	4.90-5.60%	8,365,000
Business-type activities	6.75-6.85%	520,000
Business-type activities	4.90-5.60%	<u>1,065,000</u>
		<u>\$ 18,355,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 4,100,000	\$ 745,998	\$ 245,000	\$ 85,061
2004	3,780,000	559,035	260,000	70,370
2005	2,950,000	393,137	280,000	54,134
2006	2,005,000	267,458	295,000	36,656
2007	1,250,000	182,800	160,000	23,470
2008-2009	<u>2,685,000</u>	<u>151,525</u>	<u>345,000</u>	<u>19,375</u>
	<u>\$ 16,770,000</u>	<u>\$ 2,299,953</u>	<u>\$ 1,585,000</u>	<u>\$ 289,066</u>

Revenue Bonds

Electric System Revenue Bonds are collateralized by an irrevocable first lien and pledge of the income and revenues derived and to be derived from the operation of the Electric Department after deduction therefrom of the amount necessary to pay all operating, maintenance, replacement, and betterment charges of the Department as required by applicable bond ordinances. The Department is also required to maintain rates sufficient (1) to pay all maintenance, depreciation, replacement, betterment, and interest charges, (2) to establish and maintain the interest and sinking fund and the reserve fund and (3) to pay in addition all outstanding indebtedness against the Department other than bonds. Revenue bonds outstanding at the end of the year are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Electric Department – Series 1995	5.00-5.50%	\$ 2,200,000
Electric Department – Series 1999	4.50-5.00%	<u>5,300,000</u>
		<u>\$ 7,500,000</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note G - LONG-TERM LIABILITIES (continued)

Maturities of the revenue bonds are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 775,000	\$ 363,771
2004	810,000	327,771
2005	850,000	289,761
2006	885,000	249,636
2007	925,000	208,443
2008-2012	2,515,000	527,597
2013-2014	<u>740,000</u>	<u>56,000</u>
	<u>\$ 7,500,000</u>	<u>\$ 2,022,979</u>

Tennessee Municipal Bond Fund Loans

The City participated in the Tennessee Municipal Bond Fund Loan program and entered into loan agreements from the Public Building Authority of the City of Clarksville, Tennessee. Tennessee Municipal Loans outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	Variable	\$ 76,776,298
Amount reported by Water & Sewer Fund (1)		<u>(3,690,766)</u>
		\$ <u>73,085,532</u>
Business-type activities	Variable	\$ 590,975
Tennessee Municipal Bond Fund Loan (1)		<u>3,690,766</u>
		\$ <u>4,281,741</u>
		\$ <u>77,367,273</u>

Interest rates are set by the remarketing agent and are based on the market price of the bonds underlying the loans.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 8,792,214	\$ 1,296,409	\$ 859,658	\$ 55,637
2004	9,595,341	1,138,521	406,217	37,513
2005	8,371,106	969,260	364,600	32,145
2006	8,752,906	819,035	384,900	28,201
2007	8,304,722	663,195	406,200	24,038
2008-2012	24,860,342	1,441,212	1,860,166	49,732
2013-2017	3,903,901	190,901		
2018	<u>505,000</u>	<u>8,271</u>		
	<u>\$ 73,085,532</u>	<u>\$ 6,526,804</u>	<u>\$ 4,281,741</u>	<u>\$ 227,266</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note G - LONG-TERM LIABILITIES (continued)

Loans Payable - Utility Plant Acquisition - Utility plant acquisition obligations of the Murfreesboro Electric Department resulted from the acquisition of certain utility plant from Middle Tennessee Electric Membership Corporation in 1993. The original purchase price was \$375,675 representing \$45,227 in net plant allocated to specific plant accounts, \$3,345 in reintegration costs, and \$327,104 in lost revenue allocated to plant acquisition adjustments. This unpaid indebtedness is payable in annual installments of \$32,710 to 2002.

Loans from State of Tennessee - Murfreesboro Water and Sewer Department borrowed funds from the State of Tennessee for plant expansion. These loans serve as collateral for various State obligations including bonds. While the obligations remain in the form of direct loans from the State, the constant restructuring of the debt by the State creates fluctuations in the required payments by the Department. The Department is required to make payments on the outstanding debt totaling approximately \$46,000 per month in the fiscal year ending June 30, 2002, including interest ranging from 5.0% to 9.7%. In April, 1985, the State converted three temporary loans to permanent issue. In accordance with the loan agreements, the amount of each loan was increased to incorporate a debt service reserve and provide funding for issuance costs. At June 30, 2002, the amount of the reserve is \$566,773. Of this amount, \$11,112 is classified as prepaid interest.

State Revolving Loan - During the year ended June 30, 1996, the Water and Sewer Department began drawing on a State revolving loan to fund the Wastewater Facilities Project. The total approved loan amount was \$58,000,000, at June 30, 2002. The smaller of the two loans requires the Department to make monthly interest payments at a rate of between 4.24% and 4.28% per annum. Upon completion of the project or upon drawing 90% of the available borrowings, whichever comes first, the Department is required to begin making principal and interest payments.

Year Ending		
June 30,	<u>Principal</u>	<u>Interest</u>
2003	\$ 1,828,968	\$ 2,228,956
2004	1,908,048	2,172,252
2005	1,990,536	2,086,956
2006	2,076,600	1,997,952
2007	2,166,375	1,905,120
2008-2012	12,740,526	7,986,264
2013-2017	15,743,291	4,983,504
2018-2021	<u>13,785,635</u>	<u>1,354,548</u>
	\$ 52,239,979	\$ <u>24,715,552</u>
Second issue (Interest Only)	<u>770,008</u>	
	<u>\$ 53,009,987</u>	

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note G - LONG-TERM LIABILITIES (continued)

The following is a summary of changes in long-term liabilities for the year ended June 30, 2002:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2002</u>	<u>Due Within</u> <u>One Year</u>
<i>Governmental Activities -</i>					
General obligation bonds	\$ 21,170,000		\$ 4,400,000	\$ 16,770,000	\$ 4,100,000
Capital outlay notes	360,000		360,000		
Tennessee Municipal Bond Fund Loans	<u>62,655,860</u>	<u>\$ 21,132,500</u>	<u>7,012,062</u>	<u>76,776,298</u>	<u>9,120,614</u>
	\$ 84,185,860	\$ 21,132,500	\$ 11,772,062	\$ 93,546,298	\$ 13,220,614
Estimated landfill closure costs	1,812,000			1,812,000	362,400
Compensated absences	1,742,133	1,194,536	1,012,636	1,924,033	501,661
Claims and judgments	2,655,637	1,671,026	1,769,391	2,557,272	946,191
Tennessee Municipal Bond Fund Loans reported by Water and Sewer Fund (1)	(4,002,061)		(311,295)	(3,690,766)	(328,400)
Governmental activity - Long-term liabilities	<u>\$ 86,393,569</u>	<u>\$ 23,998,062</u>	<u>\$ 14,242,794</u>	<u>\$ 96,148,837</u>	<u>\$ 14,702,466</u>
<i>Business-type Activities -</i>					
General obligation bonds	\$ 1,820,000		\$ 235,000	\$ 1,585,000	\$ 245,000
Revenue Bonds	8,245,000		745,000	7,500,000	775,000
Matured bonds payable	36,002			36,002	
Less: deferred amounts -					
For issuance discounts	(63,234)		(5,626)	(57,608)	
On refunding	<u>(83,525)</u>		<u>(6,466)</u>	<u>(77,059)</u>	
Total bonds payable	\$ 9,954,243		\$ 967,908	\$ 8,986,335	\$ 1,020,000
Loans from State of Tennessee	1,884,659		452,073	1,432,586	497,247
State revolving loan	54,763,163	\$ 2,255,496	4,008,672	53,009,987	1,828,968
Compensated absences	619,192	231,647	189,780	661,059	494,262
Tennessee Municipal Bond Fund Loan	1,101,876		510,901	590,975	531,258
Loans payable - Utility plant acquisition	<u>65,421</u>		<u>32,711</u>	<u>32,710</u>	<u>32,710</u>
	\$ 68,388,554	\$ 2,487,143	\$ 6,162,045	\$ 64,713,652	\$ 4,404,445
Tennessee Municipal Bond Fund Loan (1)	4,002,061		311,295	3,690,766	328,400
Business-type activity - Long-term liabilities	<u>\$ 72,390,615</u>	<u>\$ 2,487,143</u>	<u>\$ 6,473,340</u>	<u>\$ 68,404,418</u>	<u>\$ 4,732,845</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note H - CONSERVATION PROGRAMS

The Murfreesboro Electric Department is a fiscal intermediary for the Tennessee Valley Authority's conservation programs. At June 30, 2002, outstanding funds advanced by TVA totaled \$635,665 to be used by the customers of the Department in connection with TVA's insulation, water heater, and heat pump conservation programs. At June 30, 2002, the outstanding receivables for loans made from these funds amounted to \$620,385.

Note I - EMPLOYEE PENSION PLANS

The City maintains two single employer defined benefit pension plans (the City of Murfreesboro Employees' Pension Plan and the Murfreesboro Electric Department Employee Pension) and participates in the Tennessee Consolidated Retirement System, an agent, multiple-employer public employee retirement system (PERS). The City of Murfreesboro Employees' Pension Plan and the Murfreesboro Electric Department Employee Pension are included in the accompanying financial statements as pension trust funds.

The following is a summary of each of these plans:

City of Murfreesboro Administered Pension Plans
Plan Descriptions and Provisions -

City of Murfreesboro Employees' Pension Plan - The defined benefit pension plan covers all City employees except those employees of the school system, the Evergreen Cemetery Commission and electric department. All other departments of the City, including the water and sewer department, are covered by the plan. The funds of the retirement plan are invested in trust funds managed by the SunTrust Bank, Nashville, N.A., and Cavalry Banking, which serve as Trustees for the plan.

In accordance with the City Code, subject to approval by the City Council, pension plan provisions may be established or amended by the pension committee. Contribution rates are recommended by the pension committee based on the annual actuarial valuation report, and must also be approved by City Council.

Employees become eligible to participate upon completion of ninety days of employment. The plan provides for a basic monthly pension beginning at normal retirement age, a disability benefit, and a death benefit prior to retirement, all of which are based upon the monthly compensation of the participant. The plan was amended on July 1, 1988 to make the plan noncontributory whereby the employer contributes the entire amount necessary to fund the system. The funding policy is to contribute 9.84% of covered salary. The plan has historically made contributions equal to the annual required contribution amount, as developed actuarially. For the fiscal years ended June 30, 2000 and 2001, the funding policy of 9.84% was greater than the required contribution rate, resulting in a negative net pension obligation (NPO). Prior to July 1, 1988, employees were required to contribute toward the cost of pension compensation. Consequently, some participants who terminate employment will receive lump-sum distributions. Members with less than five years of service receive a refund of their contributions, and members with five years or more of service receive a refund of contributions and accumulated interest at the rate of 7.5% per annum.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note I - EMPLOYEE PENSION PLANS (continued)

The plan was also amended on July 1, 1988 concerning age of retirement. In past years, the plan provided for a basic monthly pension beginning at normal retirement age. The plan as amended provides for a basic monthly pension beginning at age 55, instead of 65, provided the participant has at least 30 years of service. Actuarial assumptions have been revised periodically to reflect actual plan experience and expectations regarding future events. The most recent assumption revision was on July 1, 2002 and changed the asset valuation method from the mean of book and market approach to the five-year smoothing method. The City has the right to further amend or terminate the plan.

The City uses the accrual basis of accounting for the plan. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the plan.

The plan does not issue a separate financial report, but is included in the accompanying financial statements as a pension trust fund.

There were no investments representing more than 5% of the net assets available for benefits.

The costs of administering the plan is financed by the City of Murfreesboro's general fund.

There are no related party transactions involving the pension trust.

Murfreesboro Electric Department Employee Pension - The Murfreesboro Electric Department provides a defined benefit pension plan with contributions made to a separate fund named the Murfreesboro Electric Department Pension Trust. Pension plan provisions may be established or amended by the Board of the Murfreesboro Electric Department under the authority of the pension trust document. The Board approves contribution rates based on recommendations included in the annual actuarial valuation report. The plan covers all full-time employees upon the completion of one year of service and attainment of age 25. Upon retirement, the participant's monthly benefit is determined based upon 2% of the highest five years of average monthly compensation multiplied by years of employment up to thirty years. Normal retirement age is 60, but a participant may retire at age 55 upon the completion of 10 years of service. Participants are fully vested after five years of credited service. Lump sum payments of deferred vested benefits valued at less than \$10,000 can be made to terminated participants at the discretion of the Retirement Committee.

The Plan has received and maintains a favorable determination letter from the Internal Revenue Service concerning its tax-exempt status. In order to comply with various tax law changes the plan was amended July 2002. An IRS determination letter is pending.

The cost of the plan is borne solely by the employer. Participant contributions are not allowed.

The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report may be obtained by writing or calling the plan at:

Murfreesboro Electric Department Pension Plan
P.O. Box 9
Murfreesboro, Tennessee 37133
615-893-5514

There were no investments representing more than 5% of the net assets available for benefits.

There are no related party transactions involving the pension trust.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note I - EMPLOYEE PENSION PLANS (continued)

Current membership in each of these plans was comprised of the following as of June 30, 2002:

	<u>Murfreesboro Electric Department Pension</u>	<u>City of Murfreesboro Employees' Pension</u>
Retired Participants and Terminated Participants with Deferred Vested Benefits	20	182
Active Participants	<u>61</u>	<u>717</u>
	<u>81</u>	<u>899</u>

Funding Policy and Annual Pension Cost – The annual pension cost for the current year and related information for each plan is as follows:

	<u>Murfreesboro Electric Department Pension</u>	<u>City of Murfreesboro Employees' Pension</u>
Annual pension cost	\$ 316,692	\$ 2,466,414
Contributions made	\$ 316,692	\$ 2,452,752
Actuarial valuation date	August 1, 2002	July 1, 2002
Actuarial cost method	Frozen Entry Age	Frozen Entry Age
Amortization method	Level dollar	Level dollar
Amortization period-open	30 years	40 years
Remaining amortization period	29 years	39 years
Asset valuation method	Market	Five-year Smoothing
Actuarial assumptions:		
Investment rate of return	7.0%	7.5%
Projected salary increases	4.5%	5.0%
Inflation rate	N/A	N/A

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note I - EMPLOYEE PENSION PLANS (continued)

<u>Three-Year Trend Information</u>				
	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Benefit)</u>
Murfreesboro Electric	07/31/00	\$ 180,847	100.00%	\$ -0-
Department Pension	07/31/01	152,664	100.00%	-0-
	07/31/02	316,692	100.00%	-0-
City of Murfreesboro	07/01/00	\$ 1,473,113	147.13%	\$(1,217,556)
Employee's Pension	07/01/01	1,835,308	125.32%	(1,648,106)
	07/01/02	2,459,161	99.74%	(1,634,444)

<u>Schedule of Funding Progress</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
Murfreesboro Electric Department Pension:						
08/01/00	\$ 9,412,742	\$ 9,412,742	\$ -0-	100.0%	\$ 2,834,305	0.0%
08/01/01	8,599,659	8,599,659	-0-	100.0%	2,939,605	0.0%
08/01/02	7,940,195	8,435,574	495,379	94.1%	2,872,520	17.3%
City of Murfreesboro Employees' Pension:						
07/01/00	\$ 40,957,607	\$ 41,386,756	\$ 429,149	99.0%	\$ 21,946,101	2.0%
07/01/01	43,201,827	48,522,986	5,321,159	89.0%	25,165,651	21.1%
07/01/02	48,643,679	52,688,816	4,045,137	92.3%	26,004,236	15.6%

The net benefit pension obligation has been calculated for the City of Murfreesboro Employees' Pension plan as follows:

Annual Required Contribution	\$ 2,459,161
Interest on net pension obligation	(123,608)
Adjustment to annual required contribution	130,861
Annual pension cost	\$ 2,466,414
Contributions made	(2,452,752)
Increase in net pension obligation	\$ 13,662
Net pension obligation beginning of year	(1,648,106)
Net pension obligation end of year	\$(1,634,444)

Tennessee Consolidated Retirement System

Plan Description – Employees of the Murfreesboro City School System are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2002

Note I - EMPLOYEE PENSION PLANS (continued)

to retire at the age of 60 with 5 (five) years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Murfreesboro City School System participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37242-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy – The Murfreesboro City School System is noncontributory and has assumed employee contributions up to 5.0 percent of annual covered payroll.

The Murfreesboro City School System is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2002 was 7.61% of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for the Murfreesboro City School System are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost – For the year ending June 30, 2002, the Murfreesboro City School System's annual pension cost of \$347,503 to TCRS was equal to the Murfreesboro City School System's required and actual contributions.

The required contribution was determined using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5.5 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 4.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total assets over a five-year period. The Murfreesboro City School System's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period is 13 years. Required contribution rates, as determined by the July 1, 2001 actuarial valuation, are effective beginning July 1, 2001.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/00	\$ 278,087	100.00%	\$ -0-
6/30/01	325,072	100.00%	-0-
6/30/02	347,503	100.00%	-0-

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2002

Note I - EMPLOYEE PENSION PLANS (continued)

Schedule of Funding Progress for the Murfreesboro City School System -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
06/30/97	\$ 6,468,000	\$ 6,468,000	\$ - 0 -	100.00%	\$ 3,268,000	0.00%
07/01/99	7,829,000	7,829,000	- 0 -	100.00%	3,537,000	0.00%
07/01/01	9,158,000	9,173,000	- 0 -	99.84%	4,324,000	0.35%

Changes in Actuarial Assumptions

An actuarial valuation was performed as of July 1, 2001, which established contribution rates effective July 1, 2001. As a result of the June 30, 2000 experience study, changes were made to two of the significant actuarial assumptions as follows: (1) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (2) projected 3.5% annual increase in the Social Security wage base. Actuarial assumptions used in this valuation will be determined as of the June 30, 2000 experience study.

Teachers' Plan

Plan Description - The Murfreesboro City School System contributes to the State Employees, Teachers, and Higher Education Employees Pension plan (SETHEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage of change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us. Separate pension information pertaining solely to the Murfreesboro City School System is not available.

Funding Policy - Most teachers are required by state statutes to contribute 5 percent of salary to the plan. The employer contribution rate for Murfreesboro City Schools is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2002 was 3.72 percent of annual covered payroll. The employer contribution requirement for Murfreesboro City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2002, 2001, and 2000 were, \$686,900, \$660,034, and \$905,878, respectively, and were equal to the required contributions for each year.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note J - DEFERRED COMPENSATION PLANS

The City of Murfreesboro and the Murfreesboro Electric Department offer employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City and Department employees, permit them to defer a portion of their salary until future years.

As of July 1, 1998, the City and the Murfreesboro Electric Department implemented a new standard requiring changes to the accounting and financial reporting for the deferred compensation plans created in accordance with Internal Revenue Code 457. The plans are administered by an independent plan administrator. The City's administrative involvement is limited to transmitting amounts withheld from payroll to the plan administrator who performs investing functions.

Amendments to the laws governing Section 457 plans require that plan assets are held in trust for the benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. Therefore, the financial activity of these plans is no longer reported in the City's financial statements.

Note K - OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits, the City of Murfreesboro and the Murfreesboro Electric Department, provides certain health care and life insurance benefits for retired employees. Substantially all of the City's and the Department's employees may become eligible for those benefits if they reach normal retirement age while working for the City. Currently, eighty-eight City retirees and thirteen Electric Department retirees are receiving benefits. The cost of retiree health care and life insurance benefits is recognized as expense as paid. For the year ended June 30, 2002, those costs totaled approximately \$312,838 for the City and \$36,500 for the Electric Department. Provisions related to other post-employment benefits are established or amended by the City Council and the Board of the Murfreesboro Electric Department.

Note L - COMMITMENTS AND CONTINGENCIES

Guarantee of Indebtedness - Waterworks and sewer improvement bonds, and the interest thereon, are payable primarily from the revenue of the water and sewer system, subject to prior pledges in favor of certain outstanding obligations. In the event of a deficiency in such revenues, the bonds and the interest thereon will be payable from ad valorem taxes to be levied on all taxable property within the City, irrevocably pledging the full faith and credit of the City.

Landfill Closure - The City has been notified by the State of Tennessee that certain tests and closure are necessary in connection with a landfill that was operated by the City during the period of 1968 through 1974. The City has also been notified that another site used as a waste dump by the City between 1940 and 1965 has been investigated by the Tennessee Superfund and was found to contain toxic waste. The City is currently performing required cleanup operations on these sites.

The City's engineer estimates that additional costs required will approximate \$1,812,000. Accordingly, this amount has been accrued as a liability on the government-wide statement of net assets.

Annexation Liability - Since 1997 the Electric Department has annexed approximately 380 customers from Middle Tennessee Electric Membership Corporation. The Electric Department has not been billed for those customers. Subsequent to the end of the year the Department has been given an estimated purchase price of \$1,125,000. Management expects to be billed during the year ended June 30, 2003 and at that time will record the purchase of the asset and the related liability. A long-term payment plan will be established for the liability. Had these liabilities been recognized previously, the Electric Department's net assets would be reduced by approximately \$286,000 and net income would have been reduced by approximately \$75,000 in the current year. Management believes these amounts are not significant to the operations and financial position of the Electric Department or the City's operations and financial position taken as a whole.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note L - COMMITMENTS AND CONTINGENCIES (continued)

Construction – The City has entered into agreements for construction as follows:

	Project <u>Authorization</u>	Expended <u>To Date</u>	Remaining <u>Commitment</u>
Northfield Blvd.	\$ 3,761,664	\$1,338,451	\$ 2,423,213
Samsonite Blvd.	2,845,021	746,425	2,098,596
Patterson Park	9,739,339	8,167,785	1,571,554
Siegel Road Improvements	1,594,753		1,594,753
Osborne Lane	1,659,266	842,414	816,852
Medical Center Parkway	424,445	193,218	231,227
Sanbyrn Drive Improvements	1,740,340	474,110	1,266,230
US 231 N Drainage Basin	<u>189,200</u>		<u>189,200</u>
	<u>\$ 21,954,028</u>	<u>\$ 11,762,403</u>	<u>\$ 10,191,625</u>

Grantor Agencies - Grantor agencies reserve the right to perform certain audit work in addition to the work performed by the City's independent auditors. Disallowed costs, if any, resulting from such additional work, would have to be absorbed by the City. Management does not believe that the results of the audits of grantor agencies would result in significant costs.

Pending Lawsuits - The City and its component units are parties to various lawsuits claiming damages for personal injury and property damage in automobile and general liability cases, as well as miscellaneous other litigation. Some amounts in these matters are substantial. In the opinion of the City attorney, the City should prevail in most of the litigation that is not fully insured or barred by the statute of limitations. In any event, the likelihood that the City would incur aggregate liability arising from such litigation in an amount that would be material in relation to its financial position is remote.

Note M - LEASES

The City receives rental income principally for real property from various agencies. Future minimum rental commitments under these leases are insignificant. Rental income from these sources totaled approximately \$280,171 for the year ended June 30, 2002.

Note N – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2002, the School System determined that sales tax revenues are remitted to the School System two months in arrears by Rutherford County, rather than one month as previously understood. As a result of this clarification, the Murfreesboro City Schools has concluded that one additional month of sales tax receipts from the County should have been recorded at June 30, 2001, and has increased its previously reported general purpose school fund balance of \$3,468,096 by \$397,189. The effect of this change increased sales tax revenues by \$5,527 for the year ended June 30, 2002.

Also, during the year ended June 30, 2002, the City's Risk Management Fund (an internal service fund) recorded a prior period adjustment for claims outstanding at June 30, 2001, but not previously recorded, in the amount of \$989,000.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2002

Note O - INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary fund financial statements generally reflect such transactions as transfers.

Interfund receivable and payable balances at June 30, 2002, arising from these transactions were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund		
2001 TML Fund	\$ 286,597	
Nonmajor governmental funds	3,376,332	\$ 1,125,257
Nonmajor enterprise funds		32,412
Internal service funds	360	
General Purpose School Fund		
Nonmajor governmental funds	148,708	113,950
2001 TML Fund		
General fund		286,597
Nonmajor Governmental Funds		
General fund	1,125,257	3,376,332
General purpose school fund	113,950	148,708
Internal service funds		2,501,102
Water and Sewer Fund		
Internal service funds		4,594
Nonmajor Enterprise Funds		
General fund	32,412	
Internal Service Funds		
General fund		360
Water and sewer fund	4,594	
Nonmajor governmental funds	2,501,102	
	<u>\$ 7,589,312</u>	<u>\$ 7,589,312</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2002

Note O - INTERFUND TRANSACTIONS (continued)

Interfund transfers during the year ended June 30, 2002 were as follows:

	Transfer From			
	General Fund	Nonmajor Governmental Funds	Fiduciary Funds	Total
General purpose				
school fund	\$ 3,500,000	\$ 3,015,703		\$ 6,515,703
Debt service	13,892,220	1,138,124		15,030,344
Nonmajor				
governmental funds	7,041,708			7,041,708
Nonmajor				
enterprise fund			\$ 58,930	58,930
Internal service funds	300,673			300,673
	<u>\$ 24,734,601</u>	<u>\$ 4,153,827</u>	<u>\$ 58,930</u>	<u>\$ 28,947,358</u>

Transfers among funds are provided for as part of the annual budget process. Transfers are used to move revenues from the fund required to collect the revenue to the fund required or authorized to expend them.

In the year ended June 30, 2002, the City transferred \$120,000 to the golf course fund from the general fund for future course enhancements. All other interfund transfers for the fiscal year were routine in nature.

Note P - RISK MANAGEMENT PROGRAM

General, Workers' Compensation, and Auto Liability - The City established a self-insurance program for general liability and workers' compensation during the fiscal year ended June 30, 1986. The automobile liability was added to the self-insurance program during the fiscal year ended June 30, 1988. Premiums are paid into the Risk Management Fund by all City funds requiring insurance and the public library and are available to pay claims, claim reserves, and administrative costs of the program. Claims for the fiscal year ended June 30, 2002 were \$1,671,026. Claims for fire and extended coverage in excess of \$100,000 are covered through commercial insurance. Claims for law enforcement liability in excess of \$10,000 are also covered through commercial insurance. There are no other excess coverage insurance policies. Amounts reserved in the fund are designated for future claims not yet made and not accrued.

Group Health - The City provides medical insurance through a group self-insurance program plan. Blue Cross/Blue Shield of Tennessee acts as the administrator of the plan. Insurance premiums are paid into the Insurance Fund from the General Fund and the Water and Sewer Department. In addition, employees and retired employees pay for a portion of the total premiums paid into the fund. Claims are paid to Blue Cross/Blue Shield from the Insurance Fund up to a maximum of \$50,000 for each medical claim. A rider policy covers claims for certain transplant surgery (heart, heart and lung, liver and pancreas). Administrative costs and claims for the fiscal year ended June 30, 2002 were \$4,412,634.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2002

Note P - RISK MANAGEMENT PROGRAM (continued)

As of February 1, 1998, the City no longer provided medical coverage for employees of the City School System. The City is responsible for any City Schools' claims dated prior to February 1, 1998.

Claims Liability - The claims liability reported in the Insurance Fund and the Risk Management Fund at June 30, 2002 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The risk management liability at the end of 2001 has been restated for a prior period adjustment in the amount of \$989,000. See Note N. Changes in the Funds' claims liability amounts during the year ended June 30, 2002 were as follows:

<u>Fiscal Year</u>	<u>Liability at Beginning</u>	<u>Current Year Claims and Change in Estimate</u>	<u>Claim Payments</u>	<u>Liability at End</u>
Risk Management Fund -				
2001	\$ 1,020,434	\$ 1,963,698	\$ 328,495	\$ 2,655,637
2002	2,655,637	1,671,026	1,769,391	2,557,272
Insurance Fund -				
2001	44,456	1,886,426	1,724,568	206,314
2002	206,314	4,412,634	4,421,553	197,395

The City had no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

Note Q - RESTATEMENTS

Government-wide financial statements - The beginning net assets for business-type activities was determined as follows:

	<u>Business-type Activities</u>
Retained earnings at 6/30/01	\$ 196,494,961
Add: internal service fund net assets at 6/30/01 related to business-type activities	38,544
Business-type net assets, restated as of 7/01/01	<u>\$ 196,533,505</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2002

Note Q – RESTATEMENTS (continued)

Government-wide financial statements – The beginning net assets for governmental activities was determined as follows:

	<u>Governmental Activities</u>
Fund balances of general, special revenue, debt service, and capital projects, June 30, 2001 as previously reported	\$ 31,580,208
Add: prior period adjustment - general purpose school fund (Note N)	397,189
Add: reclassification of nonexpendable trust fund to permanent fund at 6/30/01	1,190,485
Add: reclassification of cafeteria fund as a special revenue fund at 6/30/01	459,104
Fund balance per the Governmental Funds - Balance Sheet	\$ 33,626,986
Add: governmental capital assets, including infrastructure at 6/30/01	143,275,028
Deduct: accumulated depreciation as of 6/30/01 on above governmental capital assets	(24,755,722)
Add: prior year conversion to accrual basis of accounting for revenue	29,116,590
Deduct: governmental compensated absences payable at 6/30/01	(1,742,133)
Add: internal service fund net assets as of 6/30/01, net of prior period adjustment of \$989,000	3,023,129
Deduct: governmental long-term debt, excluding compensated absences at 6/30/01	(81,995,799)
Governmental net assets, restated as of 7/01/01	\$ <u>100,548,079</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2002

NOTE R – NEW ACCOUNTING AND REPORTING STANDARDS

As noted above, pursuant to GASB Statement No. 34, for all fiscal years beginning after June 15, 2005, the City must retroactively report all infrastructure assets acquired before July 1, 2001. The City expects to accomplish retroactive reporting of infrastructure prior to that deadline; however, the City has not yet determined the full impact that the retroactive reporting of infrastructure will have on the financial statements.

CITY OF MURFREESBORO, TENNESSEE

Required Supplementary Information
Pension Trust Funds

Schedule of Funding Progress

June 30, 2002

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
City of Murfreesboro Employees' Pension Plan -						
7/1/93	\$ 19,925,891	\$ 20,999,175	\$ 1,073,284	94.9 %	\$ 12,288,541	8.7 %
7/1/94	22,151,399	23,908,009	1,756,610	92.7	13,407,857	13.1
7/1/95	24,376,907	26,816,843	2,439,936	90.9	14,527,173	16.8
7/1/96	26,836,616	28,413,649	1,577,033	94.4	15,682,908	10.1
7/1/97	29,054,494	29,768,624	714,130	97.6	16,838,643	4.2
7/1/98	33,278,248	34,593,236	1,314,988	96.2	18,076,609	7.3
7/1/99	37,229,437	37,874,813	645,376	98.3	19,735,090	3.3
7/1/00	40,957,607	41,386,756	429,149	99.0	21,946,101	2.0
7/1/01	43,201,827	48,522,986	5,321,159	89.0	25,165,651	21.1
7/1/02	48,643,679	52,688,816	4,045,137	92.3	26,004,236	15.6
Murfreesboro Electric Department Employee Pension Plan -						
8/1/94	\$ 4,640,330	\$ 5,428,679	\$ 788,349	85.5 %	\$ 2,039,601	38.7 %
8/1/95	5,138,222	5,848,394	710,172	87.9	2,092,987	33.9
8/1/96	5,487,674	6,127,779	640,105	89.6	2,185,681	29.3
8/1/97	6,466,513	7,031,646	565,133	92.0	2,440,603	23.2
8/1/98	7,286,432	7,771,345	484,913	93.8	2,508,302	19.3
8/1/99	8,189,914	8,588,992	399,078	95.4	2,630,079	15.2
8/1/00	9,412,742	9,412,742	-0-	100.0	2,834,305	0.0
8/1/01	8,599,659	8,599,659	-0-	100.0	2,939,605	0.0
8/1/02	7,940,195	8,435,574	495,379	94.1	2,872,520	17.3

Note: Information regarding the Murfreesboro Electric Department Employee Pension Plan for years prior to 1994 is not currently available.

CITY OF MURFREESBORO, TENNESSEE

Required Supplementary Information
Pension Trust Funds

Schedule of Employer Contributions

June 30, 2002

<u>Fiscal Year</u>	<u>Murfreesboro Employees' Pension</u>		<u>Electric Department Pension</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1993	\$ 943,186	100 %	\$ 140,711	100 %
1994	1,049,373	100	139,468	100
1995	1,251,089	100	206,281	100
1996	1,304,734	100	214,958	100
1997	1,376,802	100	240,689	100
1998	1,489,619	100	221,626	100
1999	1,471,683	100	207,274	100
2000	1,473,113	147	180,847	100
2001	1,835,308	125	152,664	100
2002	2,459,161	100	316,692	100

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
Taxes -				
Property	\$ 21,717,186	\$ 21,717,186	\$ 21,730,895	\$ 13,709
Property in lieu of taxes -				
Public utilities	633,662	633,662	648,239	14,577
Murfreesboro Electric Department	1,220,000	1,220,000	1,259,587	39,587
Murfreesboro Housing Authority	77,000	77,000	71,347	(5,653)
Other tax equivalents	26,115	26,115	26,115	
Recovery of taxes deemed uncollectible	200,000	200,000	384,546	184,546
Penalty and interest on taxes	150,000	150,000	235,250	85,250
Other local taxes -				
Sales tax	16,830,000	16,830,000	16,785,657	(44,343)
Beer tax	1,760,000	1,760,000	1,756,813	(3,187)
Liquor tax	360,000	360,000	379,216	19,216
Gross receipts tax	1,100,000	1,100,000	1,192,999	92,999
Beer privilege tax	17,500	17,500	23,506	6,006
Liquor privilege tax	30,000	30,000	34,769	4,769
Hotel/motel tax	475,000	475,000	472,073	(2,927)
	<u>\$ 44,596,463</u>	<u>\$ 44,596,463</u>	<u>\$ 45,001,012</u>	<u>\$ 404,549</u>
Licenses, Permits and Fines -				
Electrical licenses	\$ 51,000	51,000	\$ 50,585	\$ (415)
Gas and mechanical licenses	8,500	8,500	9,010	510
Building permits	1,050,000	1,050,000	1,201,741	151,741
Plumbing permits	140,000	140,000	150,670	10,670
Electrical permits	26,000	26,000	15,183	(10,817)
Mechanical permits	86,000	86,000	146,380	60,380
Gas permits	25,000	25,000	24,600	(400)
Fireworks permits	1,000	1,000	1,400	400
Beer application fees	10,500	10,500	9,605	(895)
Burglar alarm permits	30,000	30,000	27,115	(2,885)
Plat review fee	30,000	30,000	47,769	17,769
Other fees	5,500	5,500	3,849	(1,651)
Attorney tax fees	6,800	6,800	22,269	15,469
Court fines	2,050,000	2,050,000	1,961,623	(88,377)
Burglar false alarm fees	15,000	15,000	10,100	(4,900)
Other fines and fees	15,000	15,000	15,170	170
	<u>\$ 3,550,300</u>	<u>3,550,300</u>	<u>\$ 3,697,069</u>	<u>\$ 146,769</u>

(continued)

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)

Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Intergovernmental Revenues -				
Rutherford County	\$ 50,809	\$ 50,809	\$ 54,536	\$ 3,727
State sales tax allocation	3,806,800	3,806,800	4,144,591	337,791
State beer tax allocation	30,000	30,000	33,630	3,630
State gasoline tax allocation	143,040	143,040	158,678	15,638
State mixed drink tax	265,000	265,000	325,616	60,616
State gross receipts tax	400,000	400,000	462,227	62,227
State income tax allocation	600,000	600,000	484,944	(115,056)
State excise tax	100,000	100,000	136,074	36,074
State maintenance of streets	219,035	219,035	184,138	(34,897)
State grant			65,146	65,146
Federal funds	513,530	513,530	559,976	46,446
	<u>\$ 6,128,214</u>	<u>\$ 6,128,214</u>	<u>\$ 6,609,556</u>	<u>\$ 481,342</u>
Charges for services				
Office	\$ 100	\$ 100	\$ 217	\$ 117
Planning department	22,000	22,000	19,659	(2,341)
Police department	36,000	36,000	64,540	28,540
Fire department			239,617	239,617
Street department	7,800	7,800	9,607	1,807
Building department	13,500	13,500	20,145	6,645
Maintenance department	10,000	10,000	11,475	1,475
	<u>\$ 89,400</u>	<u>\$ 89,400</u>	<u>\$ 365,260</u>	<u>\$ 275,860</u>
Miscellaneous Revenue -				
Interest	\$ 415,000	\$ 415,000	\$ 304,120	\$ (110,880)
Gas franchise revenue	1,086,000	1,086,000	820,585	(265,415)
Contribution - Active funds	1,301,447	1,301,447	1,020,417	(281,030)
Miscellaneous revenue	83,400	83,400	174,528	91,128
Donations received			21,825	21,825
	<u>\$ 2,885,847</u>	<u>\$ 2,885,847</u>	<u>\$ 2,341,475</u>	<u>\$ (544,372)</u>
TOTAL REVENUES	<u>\$ 57,250,224</u>	<u>\$ 57,250,224</u>	<u>\$ 58,014,372</u>	<u>\$ 764,148</u>

(continued)

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)

Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures -				
General and Administrative -				
Labor	\$ 1,028,396	\$ 1,028,396	\$ 964,808	\$ 63,588
Operation and maintenance	60,500	60,500	82,949	(22,449)
Supplies	116,500	116,500	111,681	4,819
Gasoline and oil	220,000	220,000	169,657	50,343
Insurance	1,070,326	1,070,326	1,099,259	(28,933)
Social security taxes	1,421,585	1,421,585	1,378,680	42,905
Group insurance	2,612,235	2,612,235	2,595,837	16,398
Retirement	1,738,025	1,738,025	1,802,386	(64,361)
Unemployment insurance	15,000	15,000	24,812	(9,812)
Utilities	535,500	535,500	590,369	(54,869)
Fire hydrant rental	5,000	5,000	1,500	3,500
Travel and subsistence	46,900	46,900	41,397	5,503
Association dues	30,000	30,000	30,774	(774)
Professional fees	92,500	92,500	72,731	19,769
Training personnel	30,000	30,000	11,942	18,058
Additions to fixed assets	19,250	19,250	38,812	(19,562)
Other miscellaneous	155,400	155,400	151,270	4,130
	<u>\$ 9,197,117</u>	<u>\$ 9,197,117</u>	<u>\$ 9,168,864</u>	<u>\$ 28,253</u>
Police Department -				
Labor	\$ 7,882,765	\$ 7,882,765	\$ 7,579,486	\$ 303,279
Operation and maintenance	403,940	403,940	429,770	(25,830)
Supplies	103,000	103,000	114,092	(11,092)
Uniforms and cleaning	159,430	159,430	111,495	47,935
Training personnel	75,000	75,000	94,223	(19,223)
Jail fees and state cost	100,000	100,000	190,612	(90,612)
Drug programs	1,500	1,500		1,500
Felony enforcement program	7,500	7,500	3,000	4,500
D.A.R.E. program	12,000	12,000	12,000	
Additions to fixed assets	152,768	152,768	185,116	(32,348)
Federal grants			100,442	(100,442)
Other miscellaneous	69,000	69,000	121,207	(52,207)
	<u>\$ 8,966,903</u>	<u>\$ 8,966,903</u>	<u>\$ 8,941,443</u>	<u>\$ 25,460</u>
Fire Department -				
Labor	\$ 6,254,026	\$ 6,254,026	\$ 6,132,939	\$ 121,087
Operation and maintenance	142,200	142,200	142,187	13
Supplies	53,000	53,000	72,712	(19,712)
Uniforms and cleaning	126,100	126,100	98,145	27,955
Association dues	700	700	625	75
Training personnel	30,000	30,000	28,755	1,245
Internship programs	9,000	9,000	9,480	(480)
Additions to fixed assets	35,300	35,300	54,272	(18,972)
Other miscellaneous	5,000	5,000	5,358	(358)
	<u>\$ 6,655,326</u>	<u>\$ 6,655,326</u>	<u>\$ 6,544,473</u>	<u>\$ 110,853</u>

See notes to financial statements.

(continued)

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)

Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Judicial Department -				
Labor	\$ 184,160	\$ 184,160	\$ 186,812	\$ (2,652)
Operation and maintenance	7,960	7,960	4,937	3,023
Supplies	10,500	10,500	11,378	(878)
Association dues	250	250	220	30
Training personnel	2,500	2,500	1,006	1,494
Additions to fixed assets	13,090	13,090	9,673	3,417
Other miscellaneous	7,500	7,500	26,699	(19,199)
	<u>\$ 225,960</u>	<u>\$ 225,960</u>	<u>\$ 240,725</u>	<u>\$ (14,765)</u>
Legal Department -				
Labor	\$ 467,830	\$ 467,830	\$ 398,306	\$ 69,524
Operation and maintenance	7,000	7,000	2,867	4,133
Supplies	44,000	44,000	34,864	9,136
Travel and subsistence	19,200	19,200	13,964	5,236
Association dues	3,600	3,600	3,319	281
Training personnel	6,500	6,500	6,949	(449)
Legal expense	8,500	8,500	12,753	(4,253)
Additions to fixed assets	2,500	2,500	5,178	(2,678)
Other miscellaneous	2,000	2,000	4,139	(2,139)
	<u>\$ 561,130</u>	<u>\$ 561,130</u>	<u>\$ 482,339</u>	<u>\$ 78,791</u>
Personnel Department -				
Labor	\$ 269,782	\$ 269,782	\$ 264,805	\$ 4,977
Operation and maintenance	7,610	7,610	7,345	265
Supplies	20,860	20,860	24,875	(4,015)
Travel and subsistence	2,400	2,400	2,400	
Drug programs	36,500	36,500	13,800	22,700
Additions to fixed assets	1,259	1,259	657	602
Other miscellaneous	4,830	4,830	2,571	2,259
	<u>\$ 343,241</u>	<u>\$ 343,241</u>	<u>\$ 316,453</u>	<u>\$ 26,788</u>
Streets -				
Labor	\$ 899,785	\$ 899,785	\$ 848,304	\$ 51,481
Operation and maintenance	82,000	82,000	105,867	(23,867)
Street lighting and signal maintenance			1,891	(1,891)
Curb, storm sewer, and right-of-way maintenance	165,000	165,000	146,112	18,888
Materials and supplies	88,000	88,000	75,300	12,700
Traffic control devices	30,000	30,000	19,093	10,907
Utility service - street lighting	907,500	907,500	909,799	(2,299)
Street improvements and maintenance	77,000	77,000	123,994	(46,994)
Travel and subsistence	20,600	20,600	20,003	597
Training personnel	4,500	4,500	2,665	1,835
Additions to fixed assets	54,800	54,800	44,113	10,687
Other miscellaneous	7,000	7,000	5,948	1,052
	<u>\$ 2,336,185</u>	<u>\$ 2,336,185</u>	<u>\$ 2,303,089</u>	<u>\$ 33,096</u>

(continued)

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)

Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Planning and Engineering -				
Labor	\$ 1,044,382	\$ 1,044,382	\$ 1,023,494	\$ 20,888
Operation and maintenance	217,500	217,500	161,363	56,137
Supplies	63,200	63,200	44,741	18,459
Sampling and testing	8,000	8,000	7,205	795
Storm drainage	50,000	50,000	4,395	45,605
Travel and subsistence	80,400	80,400	70,556	9,844
Association dues	7,500	7,500	2,260	5,240
Surveys	70,000	70,000	50,731	19,269
Training personnel	10,000	10,000	7,164	2,836
Additions to fixed assets	7,650	7,650	8,742	(1,092)
Other miscellaneous	6,500	6,500	16,820	(10,320)
	<u>\$ 1,565,132</u>	<u>\$ 1,565,132</u>	<u>\$ 1,397,471</u>	<u>\$ 167,661</u>
Building Inspections -				
Labor	\$ 667,304	\$ 667,304	\$ 663,129	\$ 4,175
Operation and maintenance	3,300	3,300	1,178	2,122
Supplies	19,000	19,000	18,229	771
Travel and subsistence	52,800	52,800	52,800	
Association dues	1,600	1,600	1,280	320
Training personnel	7,000	7,000	6,220	780
Additions to fixed assets	6,900	6,900	6,561	339
Other miscellaneous	3,100	3,100	1,239	1,861
	<u>\$ 761,004</u>	<u>\$ 761,004</u>	<u>\$ 750,636</u>	<u>\$ 10,368</u>
Urban Environmental Department -				
Labor	\$ 270,838	\$ 270,838	\$ 247,155	\$ 23,683
Operation and maintenance	16,500	16,500	26,000	(9,500)
Agricultural materials	20,000	20,000	18,402	1,598
Supplies	8,700	8,700	5,439	3,261
Travel and subsistence	4,800	4,800	4,800	
Training personnel	3,500	3,500	1,521	1,979
Additions to fixed assets	3,975	3,975	7,363	(3,388)
Other miscellaneous	1,000	1,000	711	289
	<u>\$ 329,313</u>	<u>\$ 329,313</u>	<u>\$ 311,391</u>	<u>\$ 17,922</u>

(continued)

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)

Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Health, Safety and Other -				
Cash budget payments -				
Rutherford County Health Department	\$ 11,000	\$ 11,000	\$ 11,000	
Job Vocation Training Center	32,529	32,529	32,529	
Rutherford County Rescue Squad	50,000	50,000	50,000	
Crime Stoppers	5,000	5,000	5,000	
Linebaugh Public Library	462,489	462,489	462,489	
Rutherford County Chamber of Commerce	237,250	237,250	234,769	\$ 2,481
Murfreesboro Youth Orchestra	1,250	1,250	1,250	
Uncle Dave Macon Days	3,000	3,000	3,000	
CASA of Rutherford County	2,500	2,500	2,500	
Oaklands Association	2,500	2,500	2,500	
Exchange Club Center	4,000	4,000	4,000	
Discovery House	17,500	17,500	17,500	
Main Street Program	30,000	30,000	30,000	
Arts and Humanities Council	3,000	3,000	3,000	
Primary Care Clinic	4,000	4,000	4,000	
Domestic Violence Program	7,500	7,500	7,500	
Pregnancy Support	2,500	2,500	2,500	
Meals on Wheels	3,500	3,500	3,500	
Rabies Control	40,000	40,000	40,000	
Center for the Arts	25,000	25,000	37,198	(12,198)
Leadership Rutherford	1,500	1,500	1,500	
MCHR Transportation Program	1,000	1,000	1,000	
Special Olympics	2,500	2,500	2,500	
Unforeseen organizations			36,836	(36,836)
	<u>\$ 949,518</u>	<u>\$ 949,518</u>	<u>\$ 996,071</u>	<u>\$ (46,553)</u>
Other Expenditures -				
Maintenance and utilities -				
Civic plaza	\$ 46,915	\$ 46,915	\$ 46,585	\$ 330
Parking garage	83,800	83,800	101,835	(18,035)
Miscellaneous contingencies	492,558	492,558	186,918	305,640
Mixed drink tax allocation	132,500	132,500	160,290	(27,790)
Property tax losses and adjustments	547,017	547,017	692,644	(145,627)
	<u>\$ 1,302,790</u>	<u>\$ 1,302,790</u>	<u>\$ 1,188,272</u>	<u>\$ 114,518</u>
TOTAL EXPENDITURES	<u>\$ 33,193,619</u>	<u>\$ 33,193,619</u>	<u>\$ 32,641,227</u>	<u>\$ 552,392</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 24,056,605</u>	<u>\$ 24,056,605</u>	<u>\$ 25,373,145</u>	<u>\$ 1,316,540</u>

(continued)

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)

Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other Financing Uses -				
Operating transfers out -				
Transfer to debt service fund	\$ (14,773,971)	\$ (14,773,971)	\$ (13,892,220)	\$ 881,751
Transfer to Murfreesboro City School System	(3,250,000)	(3,250,000)	(3,500,000)	(250,000)
Transfer to solid waste fund	(2,721,738)	(2,825,238)	(2,839,675)	(14,437)
Transfer to city recreation fund	(4,596,029)	(4,492,529)	(3,686,868)	805,661
Transfer to fleet services fund	(116,662)	(116,662)	(300,673)	(184,011)
Transfer to senior citizens fund	(342,607)	(342,607)	(364,899)	(22,292)
Transfer to golf course			(120,000)	(120,000)
Transfer to airport improvement fund	(5,600)	(5,600)	(30,266)	(24,666)
	<u>\$ (25,806,607)</u>	<u>\$ (25,806,607)</u>	<u>\$ (24,734,601)</u>	<u>\$ 1,072,006</u>
Excess of Revenues Over (Under) Expenditures and Other Uses	<u>\$ (1,750,002)</u>	<u>\$ (1,750,002)</u>	<u>\$ 638,544</u>	<u>\$ 2,388,546</u>
Fund Balances at beginning of year			<u>22,133,419</u>	
Fund Balances at end of year			<u>\$ 22,771,963</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Purpose School Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Local intergovernmental revenues	\$ 12,500,512	\$ 12,389,012	\$ 11,885,418	\$ (503,594)
State program revenues	16,181,754	15,824,910	15,725,488	(99,422)
Federal program revenues	1,197,216	1,197,216	1,182,128	(15,088)
Charges for services	77,475	77,475	65,711	(11,764)
Indigent children revenues			25,801	25,801
Other local revenues	403,510	403,510	407,186	3,676
	<u>\$ 30,360,467</u>	<u>\$ 29,892,123</u>	<u>\$ 29,291,732</u>	<u>\$ (600,391)</u>
Expenditures -				
Regular instruction program	\$ 20,167,646	\$ 19,979,336	\$ 19,489,808	\$ 489,528
Special education program	2,016,525	2,021,175	1,719,286	301,889
Other student support	762,431	716,713	673,391	43,322
Board of education	622,846	622,846	628,898	(6,052)
Office of the superintendent	229,806	229,951	212,514	17,437
Office of the principal	1,939,231	1,937,223	1,940,022	(2,799)
Fiscal services	378,259	381,040	373,616	7,424
Operation of plant	2,843,730	2,758,731	2,738,991	19,740
Regular instruction program - Support	1,414,742	1,331,366	1,237,182	94,184
Special education program - Support	262,255	263,537	247,410	16,127
Maintenance of plant	687,024	688,825	750,007	(61,182)
Transportation	715,907	724,717	752,079	(27,362)
Central and other	259,313	259,522	241,049	18,473
Food service	1,082,850	1,092,708	1,134,994	(42,286)
Community services	785,443	790,834	820,284	(29,450)
Attendance	79,739	79,351	75,494	3,857
Health services	44,245	45,773	41,452	4,321
Indigent children			22,756	(22,756)
Capital outlay	4,531,200	4,531,200	3,158,180	1,373,020
	<u>\$ 38,823,192</u>	<u>\$ 38,454,848</u>	<u>\$ 36,257,413</u>	<u>\$ 2,197,435</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (8,462,725)</u>	<u>\$ (8,562,725)</u>	<u>\$ (6,965,681)</u>	<u>\$ 1,597,044</u>
Other Financing Sources -				
Operating transfers in	\$ 7,931,200	\$ 8,031,200	\$ 6,515,703	\$ (1,515,497)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures (budgetary basis)	<u>\$ (531,525)</u>	<u>\$ (531,525)</u>	<u>\$ (449,978)</u>	<u>\$ 81,547</u>
Adjustment for encumbrances			(22,986)	
Excess of Revenues and Other Financing Sources Over (Under) expenditures (GAAP basis)			<u>\$ (472,964)</u>	
Fund Balance at beginning of year, as previously reported			\$ 3,468,096	
Prior period adjustment			397,189	
Fund Balance at beginning of year, as restated			<u>\$ 3,865,285</u>	
Fund Balance at end of year			<u>\$ 3,392,321</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Revenue from others	\$ 30,000	\$ 30,000	\$ 83,973	\$ 53,973
Interest earned			33,533	33,533
	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 117,506</u>	<u>\$ 87,506</u>
Expenditures -				
Principal retirement	\$ 11,580,647	\$ 11,580,647	\$ 11,460,767	\$ 119,880
Interest	4,981,642	4,981,642	2,454,062	2,527,580
Fiscal agent fees	142,000	142,000	125,164	16,836
	<u>\$ 16,704,289</u>	<u>\$ 16,704,289</u>	<u>\$ 14,039,993</u>	<u>\$ 2,664,296</u>
Excess of Revenues Over (Under) Expenditures	\$ (16,674,289)	\$ (16,674,289)	\$ (13,922,487)	\$ 2,751,802
Other Financing Sources -				
Operating transfers in	<u>15,674,289</u>	<u>15,674,289</u>	<u>15,030,344</u>	<u>(643,945)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ 1,107,857</u>	<u>\$ 2,107,857</u>
Fund Balance at beginning of year			<u>1,940,948</u>	
Fund Balance at end of year			<u>\$ 3,048,805</u>	

See notes to financial statements.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes and special purpose funds established by the City Council.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition or construction of capital projects, other than those financed by Enterprise Funds or Internal Service Funds. Revenues are derived primarily from the sale of general obligation bonds and notes, intergovernmental revenues, lease of City property, and earnings on investments.

PERMANENT FUND

Permanent Funds are used to account for funds that are legally restricted to the extent that only earnings (and not principal) may be used for purposes that support the City or its citizenry.

The *Perpetual Care Cemetery Fund* accounts for the portion of cemetery lot sale proceeds required by law to be deposited into a perpetual care fund. Earnings on the funds may be used for the maintenance of the Evergreen Cemetery grounds.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2002

	<u>Total Special Revenue Funds</u>	<u>Total Capital Projects Funds</u>	<u>Permanent Fund Perpetual Care Cemetery Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 5,325,714	\$ 5,983,336		\$ 11,309,050
Due from other funds	766,459	774,958		1,541,417
Due from other governments	691,649	486,991		1,178,640
Accounts receivable, net	535,272		\$ 22,962	558,234
Other accounts receivable	11,184	2,836	16,972	30,992
Inventory	173,804			173,804
Restricted assets -				
Cash and cash equivalents			28,809	28,809
Investments, at fair value			1,185,927	1,185,927
	\$ <u>7,504,082</u>	\$ <u>7,248,121</u>	\$ <u>1,254,670</u>	\$ <u>16,006,873</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities-				
Accounts payable	\$ 307,465	\$ 556,782		\$ 864,247
Accrued liabilities	99,960			99,960
Due to other funds	224,552	6,103,800		6,328,352
Due to other governments	52,154			52,154
Deferred revenue	647,817	448,737		1,096,554
Other deposits	205,456	165,000		370,456
	\$ <u>1,537,404</u>	\$ <u>7,274,319</u>		\$ <u>8,811,723</u>
Fund Balance-				
Reserved for inventory	\$ 115,634			\$ 115,634
Reserved for perpetual care			\$ 1,116,978	1,116,978
Unreserved -				
Designated for repairs and replacement	336,641			336,641
Designated for contingencies	121,207			121,207
Undesignated	5,393,196	\$ (26,198)	137,692	5,504,690
	\$ <u>5,966,678</u>	\$ <u>(26,198)</u>	\$ <u>1,254,670</u>	\$ <u>7,195,150</u>
	\$ <u>7,504,082</u>	\$ <u>7,248,121</u>	\$ <u>1,254,670</u>	\$ <u>16,006,873</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds**

Year Ended June 30, 2002

	Total Special Revenue Funds	Total Capital Projects Funds	Permanent Fund Perpetual Care Cemetery Fund	Total Nonmajor Governmental Funds
Revenues-				
Taxes	\$ 439,621			\$ 439,621
Intergovernmental	5,900,877	\$ 2,651,290		8,552,167
Charges for services	5,123,692			5,123,692
Interest and investment earnings	77,650	151,749	\$ 123,115	352,514
Other revenues	1,008,364	3,576,351		4,584,715
	<u>\$ 12,550,204</u>	<u>\$ 6,379,390</u>	<u>\$ 123,115</u>	<u>\$ 19,052,709</u>
Expenditures -				
Current-				
Police	\$ 258,956			\$ 258,956
Streets	1,012,499			1,012,499
Sanitation	2,516,470			2,516,470
Other expenditures	1,334,044	\$ 205,483		1,539,527
Recreation	5,907,853			5,907,853
Community development		732,989		732,989
Education	4,620,920			4,620,920
Food service	2,006,462			2,006,462
Capital outlay/fixed assets	600,181	9,418,389		10,018,570
	<u>\$ 18,257,385</u>	<u>\$ 10,356,861</u>		<u>\$ 28,614,246</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ (5,707,181)</u>	<u>\$ (3,977,471)</u>	<u>\$ 123,115</u>	<u>\$ (9,561,537)</u>
Other Financing Sources (Uses) -				
Proceeds from loans		\$ 5,960,000		\$ 5,960,000
Operating transfers in	\$ 7,045,708			7,045,708
Operating transfers out	(930,318)	(3,227,509)	\$ (58,930)	(4,216,757)
	<u>\$ 6,115,390</u>	<u>\$ 2,732,491</u>	<u>\$ (58,930)</u>	<u>\$ 8,788,951</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 408,209</u>	<u>\$ (1,244,980)</u>	<u>\$ 64,185</u>	<u>\$ (772,586)</u>
Fund Balances at beginning of year	5,558,469	1,218,782	1,190,485	7,967,736
Fund Balances at end of year	<u>\$ 5,966,678</u>	<u>\$ (26,198)</u>	<u>\$ 1,254,670</u>	<u>\$ 7,195,150</u>

See notes to financial statements.

NONMAJOR SPECIAL REVENUE FUNDS

State Street Aid Fund accounts for revenues and expenditures of the City's share of state gasoline taxes. State law requires that gasoline taxes be used to maintain streets.

City Recreation Fund accounts for revenues and expenditures related to the operation of City parks and recreational facilities.

Senior Citizens Fund accounts for revenues from various grants received for the purpose of operating a senior citizens center and the expenditures related to the center.

Old Fort Golf Course Fund accounts for revenues and expenditures related to the operation of the City golf courses.

Television Fund accounts for revenue from the cable franchise tax and for the expenditures related to broadcast of city council meetings and other events of community interest over the government access television channel.

Solid Waste Fund accounts for expenditures related to the removal and disposal of solid waste.

Airport Fund accounts for revenues and expenditures related to the operation of the municipal airport.

Drug Enforcement Fund accounts for revenue from drug fines and confiscated property and the use of those funds in the City's drug enforcement and education programs.

Extended School Program Fund accounts for revenues and expenditures associated with the operation of the School System's before and after school program.

School Cafeteria Fund accounts for the revenues and expenditures of the cafeteria operations for all of the schools.

School Federal Projects Fund accounts for revenues and expenditures associated with federally financed school programs. The school federal projects funds included are 21st Century, Title I Program, IDEA Part B Program, Title II Program, Preschool Grant, Even Start Program, Title VI Program, Class Size Reduction, Migrant Program, and the TCLS Grant.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2002

	<u>State Street Aid</u>	<u>City Recreation</u>	<u>Senior Citizens</u>	<u>Old Fort Golf Course</u>	<u>Television</u>	<u>Solid Waste</u>	<u>Airport</u>	<u>Drug Enforcement</u>	<u>Extended School Program</u>	<u>School Cafeteria</u>
<u>ASSETS</u>										
Cash and cash equivalents	\$ 2,520,240	\$ 221,028	\$ 285,675	\$ 688,982	\$ 534,733	\$ 29,785	\$ 103,765	\$ 217,908	\$ 364,951	\$ 352,377
Due from other funds		177,575		420,000			54,934		771	112,855
Due from other governments	334,953	76,197	2,853				9,000	12,848	60,570	
Accounts receivable, net				19	350,605		37,510		146,561	577
Other accounts receivable		2,271	135	8,778						
Inventory				101,256			14,378			58,170
	<u>\$ 2,855,193</u>	<u>\$ 477,071</u>	<u>\$ 288,663</u>	<u>\$ 1,219,035</u>	<u>\$ 885,338</u>	<u>\$ 29,785</u>	<u>\$ 219,587</u>	<u>\$ 230,756</u>	<u>\$ 572,853</u>	<u>\$ 523,979</u>
<u>LIABILITIES AND FUND BALANCE</u>										
Liabilities-										
Accounts payable	\$ 52,931	\$ 106,916	\$ 7,882	\$ 38,849	\$ 19,070	\$ 2,217	\$ 48,622	\$ 4,820	\$ 11,049	
Accrued liabilities									70,723	
Due to other funds		55,318	661	8,778	50		237	10,800	79,501	\$ 62,295
Due to other governments									52,154	
Deferred revenue				36,371	335,753		5,096	46,903	73,130	
Deposits	182,100		298	125	10,000		12,933			
	<u>\$ 235,031</u>	<u>\$ 162,234</u>	<u>\$ 8,841</u>	<u>\$ 84,123</u>	<u>\$ 364,873</u>	<u>\$ 2,217</u>	<u>\$ 66,888</u>	<u>\$ 62,523</u>	<u>\$ 286,557</u>	<u>\$ 62,295</u>
Fund Balance-										
Reserved for inventory				\$ 101,256			\$ 14,378			
Unreserved -										
Designated for repairs and replacement		\$ 48,820		287,821						
Designated for contingencies				121,207						
Undesignated	<u>\$ 2,620,162</u>	<u>266,017</u>	<u>\$ 279,822</u>	<u>624,628</u>	<u>\$ 520,465</u>	<u>\$ 27,568</u>	<u>138,321</u>	<u>\$ 168,233</u>	<u>\$ 286,296</u>	<u>\$ 461,684</u>
	<u>\$ 2,620,162</u>	<u>\$ 314,837</u>	<u>\$ 279,822</u>	<u>\$ 1,134,912</u>	<u>\$ 520,465</u>	<u>\$ 27,568</u>	<u>\$ 152,699</u>	<u>\$ 168,233</u>	<u>\$ 286,296</u>	<u>\$ 461,684</u>
	<u>\$ 2,855,193</u>	<u>\$ 477,071</u>	<u>\$ 288,663</u>	<u>\$ 1,219,035</u>	<u>\$ 885,338</u>	<u>\$ 29,785</u>	<u>\$ 219,587</u>	<u>\$ 230,756</u>	<u>\$ 572,853</u>	<u>\$ 523,979</u>

See notes to financial statements.

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet (Continued)
Nonmajor Special Revenue Funds

June 30, 2002

	<u>21st</u> <u>Century</u>	<u>Title I</u> <u>Program</u>	<u>IDEA</u> <u>Part B</u> <u>Program</u>	<u>Title II</u> <u>Program</u>	<u>Preschool</u> <u>Grant</u>	<u>Even</u> <u>Start</u> <u>Program</u>	<u>Title VI</u> <u>Program</u>	<u>Class</u> <u>Size</u> <u>Reduction</u>	<u>Migrant</u> <u>Program</u>	<u>TCLS</u> <u>Grant</u>	<u>Total Nonmajor</u> <u>Special Revenue</u>
<u>ASSETS</u>											
Cash and cash equivalents	\$ (33,762)	\$ 43,136	\$ 104,138	\$ (1,013)	\$ (3,154)	\$ (91,030)	\$ (16,762)	\$ 11,163	\$ 10,027	\$ (16,473)	\$ 5,325,714
Due from other funds						324					766,459
Due from other governments	66,723			1,013	3,551	90,706	16,762			16,473	691,649
Accounts receivable, net											535,272
Other accounts receivable											11,184
Inventory											173,804
	<u>\$ 32,961</u>	<u>\$ 43,136</u>	<u>\$ 104,138</u>	<u>\$ -0-</u>	<u>\$ 397</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 11,163</u>	<u>\$ 10,027</u>	<u>\$ -0-</u>	<u>\$ 7,504,082</u>
<u>LIABILITIES AND FUND BALANCE</u>											
Liabilities-											
Accounts payable	\$ 3,724	\$ 373	\$ 10,270		\$ 397				\$ 345		\$ 307,465
Accrued liabilities	29,237										99,960
Due to other funds		6,912									224,552
Due to other governments											52,154
Deferred revenue		35,851	93,868					\$ 11,163	9,682		647,817
Deposits											205,456
	<u>\$ 32,961</u>	<u>\$ 43,136</u>	<u>\$ 104,138</u>	<u>\$ -0-</u>	<u>\$ 397</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 11,163</u>	<u>\$ 10,027</u>	<u>\$ -0-</u>	<u>\$ 1,537,404</u>
Fund Balance-											
Reserved for inventory											\$ 115,634
Unreserved -											
Designated for repairs											336,641
and replacement											121,207
Designated for contingencies											5,393,196
Undesignated											\$ 5,966,678
	<u>\$ 32,961</u>	<u>\$ 43,136</u>	<u>\$ 104,138</u>	<u>\$ -0-</u>	<u>\$ 397</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 11,163</u>	<u>\$ 10,027</u>	<u>\$ -0-</u>	<u>\$ 7,504,082</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds**

Year Ended June 30, 2002

	State Street Aid	City Recreation	Senior Citizens	Old Fort Golf Course	Television	Solid Waste	Airport	Drug Enforcement	Extended School Program	School Cafeteria Fund
Revenues-										
Intergovernmental	\$ 1,923,036	\$ 136,962	\$ 110,043				\$ 48,996		\$ 15,292	\$ 955,322
Charges for services		589,482	50,379	\$ 1,782,028			190,105		1,463,731	1,047,967
Interest	33,840	4,885	4,029	13,612	\$ 10,327	\$ 719	3,725	\$ 6,513		
Franchise tax					439,621					
Miscellaneous		35,735	66,563	9,697	15,805	15,529	378,677	304,231	176,374	5,753
	<u>\$ 1,956,876</u>	<u>\$ 767,064</u>	<u>\$ 231,014</u>	<u>\$ 1,805,337</u>	<u>\$ 465,753</u>	<u>\$ 16,248</u>	<u>\$ 621,503</u>	<u>\$ 310,744</u>	<u>\$ 1,655,397</u>	<u>\$ 2,009,042</u>
Expenditures-										
Education									\$ 1,931,756	
Recreation		\$ 4,430,040		\$ 1,477,813						
Streets	\$ 1,012,499									
Sanitation						\$ 2,516,470				
Police								\$ 258,956		
Other			\$ 491,469		\$ 329,206		\$ 491,307			
Food service										\$ 2,006,462
Capital outlay		115,130	11,445	65,303	196,068	6,974	95,643	109,618		
	<u>\$ 1,012,499</u>	<u>\$ 4,545,170</u>	<u>\$ 502,914</u>	<u>\$ 1,543,116</u>	<u>\$ 525,274</u>	<u>\$ 2,523,444</u>	<u>\$ 586,950</u>	<u>\$ 368,574</u>	<u>\$ 1,931,756</u>	<u>\$ 2,006,462</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 944,377</u>	<u>\$ (3,778,106)</u>	<u>\$ (271,900)</u>	<u>\$ 262,221</u>	<u>\$ (59,521)</u>	<u>\$ (2,507,196)</u>	<u>\$ 34,553</u>	<u>\$ (57,830)</u>	<u>\$ (276,359)</u>	<u>\$ 2,580</u>
Other Sources (Uses)-										
Operating transfers in		\$ 3,686,868	\$ 368,899	\$ 120,000		\$ 2,839,675	\$ 30,266			
Operating transfers out	<u>\$ (300,000)</u>			<u>(235,918)</u>		<u>(314,400)</u>	<u>(50,000)</u>		<u>\$ (30,000)</u>	
	<u>\$ (300,000)</u>	<u>\$ 3,686,868</u>	<u>\$ 368,899</u>	<u>\$ (115,918)</u>		<u>\$ 2,525,275</u>	<u>\$ (19,734)</u>		<u>\$ (30,000)</u>	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 644,377</u>	<u>\$ (91,238)</u>	<u>\$ 96,999</u>	<u>\$ 146,303</u>	<u>\$ (59,521)</u>	<u>\$ 18,079</u>	<u>\$ 14,819</u>	<u>\$ (57,830)</u>	<u>\$ (306,359)</u>	<u>\$ 2,580</u>
Fund Balance at beginning of year	<u>1,975,785</u>	<u>406,075</u>	<u>182,823</u>	<u>988,609</u>	<u>579,986</u>	<u>9,489</u>	<u>137,880</u>	<u>226,063</u>	<u>592,655</u>	<u>459,104</u>
Fund Balance at end of year	<u>\$ 2,620,162</u>	<u>\$ 314,837</u>	<u>\$ 279,822</u>	<u>\$ 1,134,912</u>	<u>\$ 520,465</u>	<u>\$ 27,568</u>	<u>\$ 152,699</u>	<u>\$ 168,233</u>	<u>\$ 286,296</u>	<u>\$ 461,684</u>

See notes to financial statements.

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds

Year Ended June 30, 2002

	21st Century Fund	Title I Program	IDEA Part B Program	Title II Program	Preschool Grant	Even Start Program	Title VI Program	Class Size Reduction	Migrant Program	TCLS Grant	Total Nonmajor Special Revenue Funds
Revenues-											
Intergovernmental	\$ 923,514	\$ 616,797	\$ 449,083	\$ 21,691	\$ 38,390	195,000	\$ 35,949	\$ 202,880	\$ 69,395	\$ 158,527	\$ 5,900,877
Charges for services											5,123,692
Interest											77,650
Franchise tax											439,621
Miscellaneous											1,008,364
	<u>\$ 923,514</u>	<u>\$ 616,797</u>	<u>\$ 449,083</u>	<u>\$ 21,691</u>	<u>\$ 38,390</u>	<u>\$ 195,000</u>	<u>\$ 35,949</u>	<u>\$ 202,880</u>	<u>\$ 69,395</u>	<u>\$ 158,527</u>	<u>\$ 12,550,204</u>
Expenditures-											
Education	\$ 901,452	\$ 616,797	\$ 449,083	\$ 21,691	\$ 38,390	\$ 195,000	\$ 35,949	\$ 202,880	\$ 69,395	\$ 158,527	\$ 4,620,920
Recreation											5,907,853
Streets											1,012,499
Sanitation											2,516,470
Police											258,956
Other	22,062										1,334,044
Food service											2,006,462
Capital outlay											600,181
	<u>\$ 923,514</u>	<u>\$ 616,797</u>	<u>\$ 449,083</u>	<u>\$ 21,691</u>	<u>\$ 38,390</u>	<u>\$ 195,000</u>	<u>\$ 35,949</u>	<u>\$ 202,880</u>	<u>\$ 69,395</u>	<u>\$ 158,527</u>	<u>\$ 18,257,385</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (5,707,181)</u>
Other Sources (Uses)-											
Operating transfers in											\$ 7,045,708
Operating transfers out											(930,318)
											<u>\$ 6,115,390</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 408,209
Fund Balance at beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,558,469</u>
Fund Balance at end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,966,678</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

State Street Aid Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues-				
Tennessee state gasoline tax				
apportionment	\$ 1,669,291	\$ 1,669,291	\$ 1,923,036	\$ 253,745
Interest	30,000	30,000	33,840	3,840
	<u>\$ 1,699,291</u>	<u>\$ 1,699,291</u>	<u>\$ 1,956,876</u>	<u>\$ 257,585</u>
Expenditures-				
Traffic signals	\$ 120,000	\$ 120,000	\$ 15,746	\$ 104,254
Curbs and gutters	100,000	100,000	100,000	
Sidewalks	50,000	50,000	920	49,080
Rights-of-way	100,000	100,000	94,400	5,600
Street paving	584,291	584,291	535,934	48,357
Street markings	120,000	120,000	51,759	68,241
Bridges	25,000	25,000	25,000	
Storm drainage	100,000	100,000	115,952	(15,952)
Intersections	50,000	50,000	29,695	20,305
Other services	20,000	20,000	20,000	
Contractual services	50,000	50,000		50,000
Surveys and engineering	80,000	80,000	23,093	56,907
	<u>\$ 1,399,291</u>	<u>\$ 1,399,291</u>	<u>\$ 1,012,499</u>	<u>\$ 386,792</u>
Excess of Revenues Over Expenditures	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 944,377</u>	<u>\$ 644,377</u>
Other Financing Uses -				
Transfer to debt service fund	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	
Excess of Revenues Over Expenditures and Other Financing Uses	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 644,377</u>	<u>\$ 644,377</u>
Fund Balance at beginning of year			<u>1,975,785</u>	
Fund Balance at end of year			<u>\$ 2,620,162</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

City Recreation Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Interest			\$ 4,885	\$ 4,885
Federal funds	\$ 91,320	\$ 91,320	77,467	(13,853)
County funds	50,000	50,000	59,495	9,495
Charges for recreational activities	694,699	694,699	589,482	(105,217)
Donations received			5,176	5,176
Miscellaneous	30,000	30,000	30,559	559
	<u>\$ 866,019</u>	<u>\$ 866,019</u>	<u>\$ 767,064</u>	<u>\$ (98,955)</u>
Expenditures -				
Labor	\$ 2,831,707	\$ 2,728,207	\$ 2,342,453	\$ 385,754
Park and ride police patrol	381,259	381,259	403,615	(22,356)
Operation and Maintenance -				
Machinery and equipment	60,617	60,617	69,616	(8,999)
Grounds	158,900	158,900	99,253	59,647
Building	134,224	134,224	89,971	44,253
Swimming pools	42,000	42,000	57,841	(15,841)
Supplies	177,339	177,339	125,092	52,247
Insurance	151,479	151,479	151,447	32
Social Security taxes	216,626	216,626	179,541	37,085
Group insurance	252,441	252,441	220,013	32,428
Retirement	172,612	172,612	152,256	20,356
Utilities	472,177	472,177	311,543	160,634
Travel and subsistence	70,200	70,200	66,845	3,355
Arts and humanities	56,700	56,700	41,155	15,545
Grant expenditures	91,320	91,320	2,403	88,917
Training personnel	10,000	10,000	7,341	2,659
Purchases for resale	92,400	92,400	75,592	16,808
Amusement tax	12,305	12,305	10,562	1,743
Other miscellaneous	20,135	20,135	23,501	(3,366)
Capital outlay	57,607	57,607	115,130	(57,523)
	<u>\$ 5,462,048</u>	<u>\$ 5,358,548</u>	<u>\$ 4,545,170</u>	<u>\$ 813,378</u>
Excess of Revenues Over (Under) Expenditures	\$ (4,596,029)	\$ (4,492,529)	\$ (3,778,106)	\$ 714,423
Other Financing Sources -				
Transfer from general fund	4,596,029	4,492,529	3,686,868	(805,661)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (91,238)</u>	<u>\$ (91,238)</u>
Fund Balance at beginning of year			406,075	
Fund Balance at end of year			<u>\$ 314,837</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Senior Citizens Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Interest			\$ 4,029	\$ 4,029
County funds	\$ 80,000	\$ 80,000	80,000	
State funds	11,412	11,412	11,412	
Federal funds	15,631	15,631	18,631	3,000
Revenue from other agencies	44,000	44,000	47,302	3,302
Program income	57,421	57,421	50,379	(7,042)
Donations received	4,000	4,000	15,620	11,620
Miscellaneous			3,641	3,641
	<u>\$ 212,464</u>	<u>\$ 212,464</u>	<u>\$ 231,014</u>	<u>\$ 18,550</u>
Expenditures -				
Labor	\$ 318,434	\$ 318,434	\$ 283,124	\$ 35,310
Operations and maintenance	10,864	10,864	12,482	(1,618)
Supplies	49,310	49,310	48,932	378
Insurance	5,705	5,705	6,209	(504)
Social Security taxes	24,360	24,360	21,749	2,611
Group insurance	35,052	35,052	29,158	5,894
Retirement	24,413	24,413	21,208	3,205
Utilities	52,200	52,200	35,388	16,812
Contractual services	12,000	12,000	12,000	
Travel and subsistence	9,000	9,000	8,589	411
Training and instruction	11,850	11,850	880	10,970
Designated contributions	1,500	1,500	8,587	(7,087)
Other miscellaneous	6,450	6,450	3,163	3,287
Capital outlay	9,100	9,100	11,445	(2,345)
	<u>\$ 570,238</u>	<u>\$ 570,238</u>	<u>\$ 502,914</u>	<u>\$ 67,324</u>
Excess of Revenues Over (Under) Expenditures	\$ (357,774)	\$ (357,774)	\$ (271,900)	\$ 85,874
Other Financing Sources -				
Transfer from other funds	<u>346,607</u>	<u>346,607</u>	<u>368,899</u>	<u>22,292</u>
Excess of Revenues and Other Sources Over Expenditures	<u>\$ (11,167)</u>	<u>\$ (11,167)</u>	<u>\$ 96,999</u>	<u>\$ 108,166</u>
Fund Balance at beginning of year			182,823	
Fund Balance at end of year			<u>\$ 279,822</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Old Fort Golf Course Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues-				
Old Fort Golf Course-				
Green fees	\$ 813,600	\$ 813,600	\$ 814,289	\$ 689
Cart rentals and trail fees	211,656	211,656	227,661	16,005
Driving range	25,000	25,000	30,501	5,501
Concession and retail sales	412,250	412,250	479,833	67,583
Interest earned	30,000	30,000	13,612	(16,388)
Miscellaneous	7,500	7,500	9,697	2,197
	<u>\$ 1,500,006</u>	<u>\$ 1,500,006</u>	<u>\$ 1,575,593</u>	<u>\$ 75,587</u>
Veteran's Administration Course-				
Green fees	\$ 180,000	\$ 180,000	\$ 189,791	\$ 9,791
Cart rentals and trail fees	14,300	14,300	15,121	821
Concession and retail sales	24,600	24,600	24,832	232
	<u>\$ 218,900</u>	<u>\$ 218,900</u>	<u>\$ 229,744</u>	<u>\$ 10,844</u>
Total Revenues	<u>\$ 1,718,906</u>	<u>\$ 1,718,906</u>	<u>\$ 1,805,337</u>	<u>\$ 86,431</u>
Expenditures-				
Old Fort Golf Course-				
Labor	\$ 622,085	\$ 622,085	\$ 564,414	\$ 57,671
Operations and maintenance	53,000	53,000	57,047	(4,047)
Material	65,500	65,500	65,215	285
Supplies	52,700	52,700	47,281	5,419
Insurance	22,686	22,686	22,305	381
Social Security	47,590	47,590	42,475	5,115
Employee group insurance	59,496	59,496	52,946	6,550
Employee retirement	41,938	41,938	39,594	2,344
Utilities	34,200	34,200	33,698	502
Travel and subsistence	9,600	9,600	9,600	
Items for resale	250,000	250,000	286,464	(36,464)
Sales tax	52,250	52,250	59,559	(7,309)
Other miscellaneous expenses	30,250	30,250	27,672	2,578
Capital outlay	33,500	33,500	46,764	(13,264)
	<u>\$ 1,374,795</u>	<u>\$ 1,374,795</u>	<u>\$ 1,355,034</u>	<u>\$ 19,761</u>

See notes to financial statements.

(continued)

CITY OF MURFREESBORO, TENNESSEE

Old Fort Golf Course Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance (continued)

Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (continued) -				
Veteran's Administration Course-				
Labor	\$ 111,278	\$ 111,278	\$ 99,008	\$ 12,270
Operations and maintenance	7,000	7,000	6,921	79
Material	10,000	10,000	8,870	1,130
Supplies	14,700	14,700	9,447	5,253
General insurance	3,486	3,486	3,583	(97)
Social Security	8,513	8,513	7,484	1,029
Employee group insurance	13,582	13,582	10,906	2,676
Employee retirement	5,900	5,900	4,922	978
Utilities	9,750	9,750	3,356	6,394
Travel and subsistence	2,400	2,400	2,074	326
Items for resale	11,000	11,000	9,472	1,528
Sales tax	3,100	3,100	3,211	(111)
Other miscellaneous expenses	800	800	289	511
Capital outlay	19,700	19,700	18,539	1,161
	<u>\$ 221,209</u>	<u>\$ 221,209</u>	<u>\$ 188,082</u>	<u>\$ 33,127</u>
Total Expenditures	<u>\$ 1,596,004</u>	<u>\$ 1,596,004</u>	<u>\$ 1,543,116</u>	<u>\$ 52,888</u>
Excess of Revenues Over Expenditures	<u>\$ 122,902</u>	<u>\$ 122,902</u>	<u>\$ 262,221</u>	<u>\$ 139,319</u>
Other Financing Sources and (Uses) -				
Transfer from general fund			\$ 120,000	\$ 120,000
Transfer to debt service fund	<u>\$ (235,918)</u>	<u>\$ (235,918)</u>	<u>(235,918)</u>	<u>\$ 120,000</u>
	<u>\$ (235,918)</u>	<u>\$ (235,918)</u>	<u>\$ (115,918)</u>	<u>\$ 120,000</u>
Excess of Revenues Over (Under)				
Expenditures and Other Financing				
Sources and Uses	<u>\$ (113,016)</u>	<u>\$ (113,016)</u>	<u>\$ 146,303</u>	<u>\$ 259,319</u>
Fund Balance at beginning of year			988,609	
Fund Balance at end of year			<u>\$ 1,134,912</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Television Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Cable franchise tax	\$ 505,000	\$ 505,000	\$ 439,621	\$ (65,379)
Interest	13,000	13,000	10,327	(2,673)
Miscellaneous	400	400	15,805	15,405
	<u>\$ 518,400</u>	<u>\$ 518,400</u>	<u>\$ 465,753</u>	<u>\$ (52,647)</u>
Expenditures -				
Labor	\$ 177,683	\$ 177,683	\$ 157,785	\$ 19,898
Operation and maintenance	11,750	11,750	14,335	(2,585)
Supplies	2,450	2,450	852	1,598
Advertising supplies	3,500	3,500	1,032	2,468
Audio/video supplies	11,000	11,000	11,083	(83)
Insurance	8,403	8,403	8,626	(223)
Social security	13,593	13,593	12,385	1,208
Group insurance	18,748	18,748	11,841	6,907
Retirement	15,098	15,098	12,340	2,758
Utilities	1,800	1,800	2,027	(227)
Travel and subsistence	9,000	9,000	8,192	808
Association dues	2,500	2,500	1,765	735
Training personnel	9,000	9,000	8,693	307
Professional services	38,000	38,000	32,054	5,946
Other miscellaneous	49,000	49,000	46,196	2,804
Capital outlay	172,600	172,600	196,068	(23,468)
	<u>\$ 544,125</u>	<u>\$ 544,125</u>	<u>\$ 525,274</u>	<u>\$ 18,851</u>
Excess of Revenues Under Expenditures	<u>\$ (25,725)</u>	<u>\$ (25,725)</u>	<u>\$ (59,521)</u>	<u>\$ (33,796)</u>
Fund Balance at beginning of year			579,986	
Fund Balance at end of year			<u>\$ 520,465</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Solid Waste Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Interest	\$ 2,300	\$ 2,300	\$ 719	\$ (1,581)
Miscellaneous	10,500	10,500	15,529	5,029
	<u>\$ 12,800</u>	<u>\$ 12,800</u>	<u>\$ 16,248</u>	<u>\$ 3,448</u>
Expenditures -				
Labor	\$ 1,378,789	\$ 1,378,789	\$ 1,308,807	\$ 69,982
Operations and maintenance	186,000	289,500	401,084	(111,584)
Supplies	113,500	113,500	107,720	5,780
Insurance	176,373	176,373	177,151	(778)
Social Security	105,512	105,512	96,152	9,360
Group insurance	262,224	262,224	218,351	43,873
Retirement	131,350	131,350	115,296	16,054
Travel and subsistence	1,200	1,200	5,539	(4,339)
License fees	500	500	783	(283)
Disposal carts	60,000	60,000	82,785	(22,785)
Other miscellaneous	3,190	3,190	2,802	388
Capital outlay	1,500	1,500	6,974	(5,474)
	<u>\$ 2,420,138</u>	<u>\$ 2,523,638</u>	<u>\$ 2,523,444</u>	<u>\$ 194</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (2,407,338)</u>	<u>\$ (2,510,838)</u>	<u>\$ (2,507,196)</u>	<u>\$ 3,642</u>
Other Financing Sources (Uses)-				
Transfer from general fund	\$ 2,721,738	\$ 2,825,238	\$ 2,839,675	\$ 14,437
Transfer to debt service fund	(314,400)	(314,400)	(314,400)	
	<u>\$ 2,407,338</u>	<u>\$ 2,510,838</u>	<u>\$ 2,525,275</u>	<u>\$ 14,437</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 18,079</u>	<u>\$ 18,079</u>
Fund Balance at beginning of year			9,489	
Fund Balance at end of year			<u>\$ 27,568</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Airport Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
State maintenance funds	\$ 9,000	\$ 9,000	\$ 9,000	
State funds	46,000	46,000	39,996	\$ (6,004)
Interest	6,500	6,500	3,725	(2,775)
Rental income	181,901	181,901	190,105	8,204
Fuel sales	297,470	340,570	344,408	3,838
Donations received		31,700	31,735	35
Other revenue	3,000	3,000	2,534	(466)
	<u>\$ 543,871</u>	<u>\$ 618,671</u>	<u>\$ 621,503</u>	<u>\$ 2,832</u>
Expenditures -				
Labor	\$ 103,939	\$ 103,939	\$ 99,463	\$ 4,476
Operations and maintenance	30,500	30,500	37,539	(7,039)
Supplies	7,150	7,150	8,930	(1,780)
Insurance	15,869	18,669	12,945	5,724
Social Security	7,951	7,951	7,870	81
Group insurance	2,583	2,583	5,335	(2,752)
Retirement	5,026	5,026	5,026	
Utilities	21,400	21,400	19,945	1,455
Travel and subsistence	9,500	9,500	6,865	2,635
Purchases for resale	215,124	260,624	261,524	(900)
Fuel rebates	1,000	1,000	1,515	(515)
Surveys and studies	14,000	14,000	8,764	5,236
Other miscellaneous	9,000	9,000	15,586	(6,586)
Capital outlay	69,500	96,000	95,643	357
	<u>\$ 512,542</u>	<u>\$ 587,342</u>	<u>\$ 586,950</u>	<u>\$ 392</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 31,329</u>	<u>\$ 31,329</u>	<u>\$ 34,553</u>	<u>\$ 3,224</u>
Other Financing Sources and (Uses) -				
Transfer from general fund	\$ 5,600	\$ 5,600	\$ 30,266	\$ 24,666
Transfer to debt service fund	(50,000)	(50,000)	(50,000)	
	<u>\$ (44,400)</u>	<u>\$ (44,400)</u>	<u>\$ (19,734)</u>	<u>\$ 24,666</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	<u>\$ (13,071)</u>	<u>\$ (13,071)</u>	\$ 14,819	<u>\$ 27,890</u>
Fund Balance at beginning of year			137,880	
Fund Balance at end of year			<u>\$ 152,699</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Drug Enforcement Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Court fines	\$ 190,000	\$ 190,000	\$ 238,561	\$ 48,561
Seizure awards	15,000	32,000	59,789	27,789
Interest	11,000	11,000	6,513	(4,487)
Other revenue	15,000	15,000	5,881	(9,119)
	<u>\$ 231,000</u>	<u>\$ 248,000</u>	<u>\$ 310,744</u>	<u>\$ 62,744</u>
Expenditures -				
Labor	\$ 99,000	\$ 99,000	\$ 124,208	\$ (25,208)
Operations and maintenance	7,450	7,450	17,254	(9,804)
Supplies	7,500	7,500	6,925	575
Utilities	18,600	18,600	20,196	(1,596)
Training	20,000	20,000	10,643	9,357
Rent	24,415	24,415	24,413	2
Undercover operations	85,000	85,000	47,100	37,900
Other miscellaneous	6,500	6,500	8,217	(1,717)
Capital outlay	83,600	100,600	109,618	(9,018)
	<u>\$ 352,065</u>	<u>\$ 369,065</u>	<u>\$ 368,574</u>	<u>\$ 491</u>
Excess of Revenues Under Expenditures	<u>\$ (121,065)</u>	<u>\$ (121,065)</u>	<u>\$ (57,830)</u>	<u>\$ 63,235</u>
Fund Balance at beginning of year			226,063	
Fund Balance at end of year			<u>\$ 168,233</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Extended School Program Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues -				
Federal program revenues	\$ 53,057	\$ 53,057	\$ 15,292	\$ (37,765)
Charges for services	2,072,155	2,072,155	1,463,731	(608,424)
Other local revenues	85,606	85,606	176,374	90,768
	<u>\$ 2,210,818</u>	<u>\$ 2,210,818</u>	<u>\$ 1,655,397</u>	<u>\$ (555,421)</u>
Expenditures -				
Community services	<u>\$ 2,130,166</u>	<u>\$ 2,130,166</u>	<u>\$ 1,931,756</u>	<u>\$ 198,410</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 80,652</u>	<u>\$ 80,652</u>	<u>\$ (276,359)</u>	<u>\$ 357,011</u>
Other Financing Uses -				
Transfer to other fund			<u>(30,000)</u>	
Excess of Revenues Over (Under) Expenditures and Other Financing Uses (budgetary basis)			<u>\$ (306,359)</u>	
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures and Other Financing Uses (GAAP basis)			<u>\$ (306,359)</u>	
Fund Balance at beginning of year			<u>592,655</u>	
Fund Balance at end of year			<u>\$ 286,296</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

21st Century Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>670,929</u>	\$ <u>670,929</u>	\$ <u>923,514</u>	\$ <u>252,585</u>
Expenditures -				
Transportation	\$ <u>32,274</u>	\$ <u>32,274</u>	\$ <u>22,062</u>	\$ <u>10,212</u>
Community services	<u>638,655</u>	<u>638,655</u>	<u>901,452</u>	<u>(262,797)</u>
	\$ <u>670,929</u>	\$ <u>670,929</u>	\$ <u>923,514</u>	\$ <u>(252,585)</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Title I Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>672,048</u>	\$ <u>672,048</u>	\$ <u>616,797</u>	\$ <u>(55,251)</u>
Expenditures -				
Regular instruction	\$ 659,834	\$ 659,834	\$ 610,941	\$ 48,893
Other student support	5,547	5,547	2,788	2,759
Regular instruction support	6,667	6,667	3,068	3,599
	\$ <u>672,048</u>	\$ <u>672,048</u>	\$ <u>616,797</u>	\$ <u>55,251</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ -0-	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

IDEA Part B Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>703,721</u>	\$ <u>743,536</u>	\$ <u>449,083</u>	\$ <u>(294,453)</u>
Expenditures -				
Special education program	\$ <u>700,348</u>	\$ <u>680,490</u>	\$ <u>376,479</u>	\$ <u>304,011</u>
Special education program support	<u>25,061</u>	<u>84,734</u>	<u>72,604</u>	<u>12,130</u>
	\$ <u>725,409</u>	\$ <u>765,224</u>	\$ <u>449,083</u>	\$ <u>316,141</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>(21,688)</u>	\$ <u>(21,688)</u>	\$ <u>-0-</u>	\$ <u>21,688</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Title II Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>56,940</u>	\$ <u>56,940</u>	\$ <u>21,691</u>	\$ <u>(35,249)</u>
Expenditures -				
Regular Instruction support	\$ <u>56,940</u>	\$ <u>56,940</u>	\$ <u>21,691</u>	\$ <u>35,249</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Preschool Grant

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>41,035</u>	\$ <u>41,035</u>	\$ <u>38,390</u>	\$ <u>(2,645)</u>
Expenditures -				
Special education program	\$ <u>38,914</u>	\$ <u>38,914</u>	\$ <u>36,648</u>	\$ <u>2,266</u>
Special education program support	<u>2,121</u>	<u>2,121</u>	<u>1,742</u>	<u>379</u>
	\$ <u>41,035</u>	\$ <u>41,035</u>	\$ <u>38,390</u>	\$ <u>2,645</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year			<u> </u>	
Fund Balance at end of year			\$ <u>-0-</u>	
See notes to financial statements.				

CITY OF MURFREESBORO, TENNESSEE

Even Start Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>195,000</u>	\$ <u>195,000</u>	\$ <u>195,000</u>	\$ <u>-0-</u>
Expenditures -				
Community services	\$ <u>195,000</u>	\$ <u>195,000</u>	\$ <u>195,000</u>	\$ <u>-0-</u>
Excess of Revenues Over (Under)				
Expenditures	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Title VI Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>36,972</u>	\$ <u>36,972</u>	\$ <u>35,949</u>	\$ <u>(1,023)</u>
Expenditures -				
Regular instruction program	\$ 20,381	\$ 20,381	\$ 16,129	\$ 4,252
Regular instruction support	16,591	16,591	19,820	(3,229)
	\$ <u>36,972</u>	\$ <u>36,972</u>	\$ <u>35,949</u>	\$ <u>1,023</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ -0-	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ -0-	
Fund Balance at beginning of year			<u> </u>	
Fund Balance at end of year			\$ <u>-0-</u>	
See notes to financial statements.				

CITY OF MURFREESBORO, TENNESSEE

Class Size Reduction

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>214,043</u>	\$ <u>214,043</u>	\$ <u>202,880</u>	\$ <u>(11,163)</u>
Expenditures -				
Regular instruction program	\$ <u>214,043</u>	\$ <u>214,043</u>	\$ <u>202,880</u>	\$ <u>11,163</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ -0-	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Migrant Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>92,238</u>	\$ <u>92,238</u>	\$ <u>69,395</u>	\$ <u>(22,843)</u>
Expenditures -				
Regular instruction	\$ 78,838	\$ 78,838	\$ 68,635	\$ 10,203
Other student support	10,400	10,400	760	9,640
Regular instruction program support	3,000	3,000		3,000
	\$ <u>92,238</u>	\$ <u>92,238</u>	\$ <u>69,395</u>	\$ <u>22,843</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ -0-	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ -0-	
Fund Balance at beginning of year			<u>-0-</u>	
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

TCLS Grant

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>201,928</u>	\$ <u>201,928</u>	\$ <u>158,527</u>	\$ <u>(43,401)</u>
Expenditures -				
Regular instruction program	\$ <u>105,758</u>	\$ <u>105,758</u>	\$ <u>85,063</u>	\$ <u>20,695</u>
Regular instruction support	<u>96,170</u>	<u>96,170</u>	<u>73,464</u>	<u>22,706</u>
	\$ <u>201,928</u>	\$ <u>201,928</u>	\$ <u>158,527</u>	\$ <u>43,401</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Improvement and Contingency Fund accounts for revenues and expenditures associated with the acquisition or construction of various capital projects for general government activities.

Community Development Fund accounts for Community Development Block grants and state grants received and the improvements and expenditures related to the programs.

Battlefield River Trail Fund accounts for revenue from a federal grant and expenditures related to the construction of a recreational trail along the Stones River.

Bradley Academy Special Project Fund accounts for revenue from a federal special project grant and expenditures related to the restoration of the Bradley Academy Building.

TML Loan Funds accounts for the proceeds of loans through the Tennessee Municipal League and the expenditures related to various projects funded by the loans. The funds included are 1996 TML Loan, 1998 TML Loan, and 1999 TML Loan.

Lytle Creek Greenway Fund accounts for revenue from a federal grant and expenditures related to the construction of a recreational greenway trail along Lytle Creek.

Commerce Park Fund accounts for the City's development of land to be used in future projects.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Nonmajor Capital Project Funds

June 30, 2002

	<u>Capital Improvement and Contingency</u>	<u>Community Development</u>	<u>Battlefield River Trail</u>	<u>Lytle Creek Greenway</u>	<u>Commerce Park</u>	<u>1996 TML Loan</u>	<u>1998 TML Loan</u>	<u>1999 TML Loan</u>	<u>Total Nonmajor Capital Projects</u>
<u>ASSETS</u>									
Cash and cash equivalents	\$ 5,069,837	\$ 83	\$ 481		\$ 424,954		\$ 281,507	\$ 206,474	\$ 5,983,336
Due from other funds		2,210				\$ 200,104	572,644		774,958
Due from other governments		56,454	292,605	\$ 137,932					486,991
Due from others	1,615							1,221	2,836
	<u>\$ 5,071,452</u>	<u>\$ 58,747</u>	<u>\$ 293,086</u>	<u>\$ 137,932</u>	<u>\$ 424,954</u>	<u>\$ 200,104</u>	<u>\$ 854,151</u>	<u>\$ 207,695</u>	<u>\$ 7,248,121</u>
<u>LIABILITIES AND FUND BALANCE</u>									
Liabilities-									
Accounts payable	\$ 303,456						\$ 7,748	\$ 245,578	\$ 556,782
Due to other funds		\$ 44,699	\$ 292,605	\$ 137,932	\$ 5,628,564				6,103,800
Deferred revenue	448,256		481						448,737
Deposits					165,000				165,000
	<u>\$ 751,712</u>	<u>\$ 44,699</u>	<u>\$ 293,086</u>	<u>\$ 137,932</u>	<u>\$ 5,793,564</u>		<u>\$ 7,748</u>	<u>\$ 245,578</u>	<u>\$ 7,274,319</u>
Fund Balance -									
Unreserved -									
Undesignated	\$ 4,319,740	\$ 14,048			\$ (5,368,610)	\$ 200,104	\$ 846,403	\$ (37,883)	\$ (26,198)
	<u>\$ 5,071,452</u>	<u>\$ 58,747</u>	<u>\$ 293,086</u>	<u>\$ 137,932</u>	<u>\$ 424,954</u>	<u>\$ 200,104</u>	<u>\$ 854,151</u>	<u>\$ 207,695</u>	<u>\$ 7,248,121</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenue, Expenditures, and Changes in Fund Balance
Nonmajor Capital Project Funds

Year Ended June 30, 2002

	Capital Improvement and Contingency Fund	Community Development Fund	Battlefield River Trail Fund	Bradley Academy Special Project Fund	1996 TML Loan Fund
Revenue-					
Revenue from federal government		\$ 736,989	\$ 559,884	\$ 100	
Revenue from county government	\$ 1,354,317				
Revenue from other agencies	3,416,412				
Interest income	128,679		442		\$ 1,340
Rental income	90,065				
Other revenue	19,950	224			19,950
	<u>\$ 5,009,423</u>	<u>\$ 737,213</u>	<u>\$ 560,326</u>	<u>\$ 100</u>	<u>\$ 21,290</u>
Expenditures-					
Civic Plaza					
Manson/McFarland Landfill					
Other costs					
Community development -					
Administration		\$ 101,361			
Housing rehabilitation		453,614			
Housing assistance		34,875			
Other		143,139			
Capital outlay -					
Street construction and drainage					
Land and right-of-way purchased					\$ 200,000
Battlefield River Trail			\$ 560,326		
Health Department	\$ 3,452,998				
Police Department projects					
Recreation projects	17				32,795
Urban Environmental					
Fleet Services					
Senior Center					
Fire station and equipment	120,964				
Other projects and costs				\$ 100	
	<u>\$ 3,573,979</u>	<u>\$ 732,989</u>	<u>\$ 560,326</u>	<u>\$ 100</u>	<u>\$ 232,795</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 1,435,444</u>	<u>\$ 4,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (211,505)</u>
Other Financing Sources (Uses)-					
Proceeds of loans					\$ 880,000
Transfer to other funds	\$ (2,985,703)	\$ (4,000)			(34,411)
	<u>\$ (2,985,703)</u>	<u>\$ (4,000)</u>			<u>\$ 845,589</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (1,550,259)	\$ 224	\$ -	\$ -	\$ 634,084
Fund Balance at beginning of year	5,869,999	13,824	-	-	(433,980)
Fund Balance at end of year	<u>\$ 4,319,740</u>	<u>\$ 14,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,104</u>

See notes to financial statements.

1998 TML Loan Fund	1999 TML Loan Fund	Commerce Park Fund	Total Nonmajor Capital Projects Funds
			\$ 1,296,973
			1,354,317
			3,416,412
\$ 7,799	\$ 8,737	\$ 4,752	151,749
			90,065
		29,750	69,874
<u>\$ 7,799</u>	<u>\$ 8,737</u>	<u>\$ 34,502</u>	<u>\$ 6,379,390</u>
\$ 60,606			\$ 60,606
51,615	\$ 11,677		63,292
	81,585		81,585
			101,361
			453,614
			34,875
			143,139
519,211	1,581,925	\$ 273,691	2,374,827
	97,550		297,550
			560,326
			3,452,998
	23,237		23,237
22,626	1,878,551		1,933,989
	197,846		197,846
	150,000		150,000
3,180			3,180
280,637			401,601
11,464		11,271	22,835
<u>\$ 949,339</u>	<u>\$ 4,022,371</u>	<u>\$ 284,962</u>	<u>\$ 10,356,861</u>
<u>\$ (941,540)</u>	<u>\$ (4,013,634)</u>	<u>\$ (250,460)</u>	<u>\$ (3,977,471)</u>
\$ 1,055,000	\$ 4,025,000		\$ 5,960,000
-		\$ (203,395)	(3,227,509)
<u>\$ 1,055,000</u>	<u>\$ 4,025,000</u>	<u>\$ (203,395)</u>	<u>\$ 2,732,491</u>
\$ 113,460	\$ 11,366	\$ (453,855)	\$ (1,244,980)
732,943	(49,249)	(4,914,755)	1,218,782
<u>\$ 846,403</u>	<u>\$ (37,883)</u>	<u>\$ (5,368,610)</u>	<u>\$ (26,198)</u>

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for the operation of self-sustaining agencies rendering services to the general public on a user-charge basis. Activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

Industrial Building Funds account for land and buildings owned by the City, which were formerly leased to Foremost Dairies, Inc. and Alton Box Board Company. These funds are generally inactive.

Evergreen Cemetery Fund accounts for the operation and maintenance of the Evergreen Cemetery. Revenues are derived primarily from sales of lots, charges for services, and investment earnings.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Nonmajor Enterprise Funds

June 30, 2002

	Foremost Dairies, Inc. Plant	Alton Box Board Co. Plant	Evergreen Cemetery	Totals
<u>ASSETS</u>				
Current Assets -				
Cash and cash equivalents			\$ 72,130	\$ 72,130
Accounts receivable			68,712	68,712
Due from other funds	\$ 21,910	\$ 10,502		32,412
Inventories			43,098	43,098
Prepaid expenses			3,925	3,925
Total Current Assets	\$ 21,910	\$ 10,502	\$ 187,865	\$ 220,277
Noncurrent Assets -				
Capital assets, net of accumulated depreciation	\$ 12,492	\$ 11,000	\$ 122,481	\$ 145,973
Total Noncurrent Assets	\$ 12,492	\$ 11,000	\$ 122,481	\$ 145,973
Total Assets	\$ 34,402	\$ 21,502	\$ 310,346	\$ 366,250
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities -				
Accrued and withheld liabilities			\$ 1,041	\$ 1,041
Total Current Liabilities			\$ 1,041	\$ 1,041
Net Assets -				
Invested in capital assets			\$ 122,481	\$ 122,481
Unrestricted	\$ 34,402	\$ 21,502	186,824	242,728
Total Net Assets	\$ 34,402	\$ 21,502	\$ 309,305	\$ 365,209
Total Liabilities and Net Assets	\$ 34,402	\$ 21,502	\$ 310,346	\$ 366,250

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenue, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds

Year Ended June 30, 2002

	<u>Foremost Dairies, Inc. Plant</u>	<u>Alton Box Board Co. Plant</u>	<u>Evergreen Cemetery</u>	<u>Totals</u>
Operating Revenues -				
Charges for services			\$ 255,088	\$ 255,088
Operating Expenses -				
Operating expenses			\$ 301,640	\$ 301,640
Depreciation and amortization expense			17,740	17,740
			<u>\$ 319,380</u>	<u>\$ 319,380</u>
Operating Income (Loss)			\$ (64,292)	\$ (64,292)
Nonoperating Revenues -				
Interest			3,579	3,579
Income (Loss) Before Transfers			\$ (60,713)	\$ (60,713)
Operating transfers in			58,930	58,930
Change in Net Assets			\$ (1,783)	\$ (1,783)
Net Assets at beginning of year	\$ 34,402	\$ 21,502	311,088	366,992
Net Assets at end of year	<u>\$ 34,402</u>	<u>\$ 21,502</u>	<u>\$ 309,305</u>	<u>\$ 365,209</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Cash Flows
Nonmajor Enterprise Funds

Year Ended June 30, 2002

	<u>Foremost Dairies, Inc. Plant</u>	<u>Alton Box Board Co. Plant</u>	<u>Evergreen Cemetery</u>	<u>Totals</u>
Cash Flows from Operating Activities -				
Cash received from customers			\$ 281,638	\$ 281,638
Cash payments to suppliers			(114,145)	(114,145)
Cash payments to employees			(193,431)	(193,431)
Net Cash Used by Operating Activities			<u>\$ (25,938)</u>	<u>\$ (25,938)</u>
Cash Flows from Noncapital Financing Activities -				
Operating transfers in			\$ 58,930	\$ 58,930
Net Cash Provided by Noncapital Financing Activities			<u>\$ 58,930</u>	<u>\$ 58,930</u>
Cash Flows From Capital and Related Financing Activities -				
Acquisition and construction of fixed assets			\$ (8,339)	\$ (8,339)
Net Cash Used by Capital and Related Financing Activities			<u>\$ (8,339)</u>	<u>\$ (8,339)</u>
Cash Flows From Investing Activities -				
Interest received			\$ 3,579	\$ 3,579
Net Cash Provided by Investing Activities			<u>\$ 3,579</u>	<u>\$ 3,579</u>
Net Increase in Cash and Cash Equivalents	\$ -0-	\$ -0-	\$ 28,232	\$ 28,232
Cash and Cash Equivalents at beginning of year	-0-	-0-	43,898	43,898
Cash and Cash Equivalents at end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 72,130</u>	<u>\$ 72,130</u>
Reconciliation of operating income to net cash used by operating activities:				
Operating loss			\$ (64,292)	\$ (64,292)
Adjustments to reconcile operating income to net cash used by operating activities -				
Depreciation			17,740	17,740
Changes in assets and liabilities -				
Accounts receivable			26,551	26,551
Inventory			1,362	1,362
Prepaid expenses			(668)	(668)
Accounts payable			(2,359)	(2,359)
Accrued and withheld liabilities			(4,272)	(4,272)
Net Cash Used by Operating Activities			<u>\$ (25,938)</u>	<u>\$ (25,938)</u>

See notes to financial statements.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to provide goods and services to other governmental operating units such as departments or agencies on a cost reimbursement basis.

Insurance Fund accounts for revenues and costs associated with the City's self-funded group health insurance plan. Revenues are derived from premiums collected from the various City departments. Costs include medical claims and administrative expenses.

Risk Management Fund accounts for revenues and costs associated with the City's self-funded liability and worker's compensation insurance programs.

Fleet Services Fund accounts for fleet and equipment management to other departments or agencies of the City on a cost reimbursement basis.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Internal Service Funds

June 30, 2002

	<u>Insurance</u>	<u>Risk Mangement</u>	<u>Fleet Services</u>	<u>Totals</u>
<u>ASSETS</u>				
Current Assets -				
Cash and cash equivalents	\$ 621,235	\$ 2,698,880		\$ 3,320,115
Accrued interest receivable		3,994		3,994
Due from other funds		2,500,000	\$ 5,696	2,505,696
Due from others	28,812	682		29,494
Inventory			63,086	63,086
Total current assets	\$ 650,047	\$ 5,203,556	\$ 68,782	\$ 5,922,385
Total Assets	\$ 650,047	\$ 5,203,556	\$ 68,782	\$ 5,922,385
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities -				
Accounts payable	\$ 197,395	\$ 81,834		\$ 279,229
Due to other funds		360		360
Claims and judgments payable		946,191		946,191
Total Current Liabilities	\$ 197,395	\$ 1,028,385		\$ 1,225,780
Noncurrent Liabilities -				
Claims and judgments payable		\$ 1,611,081		\$ 1,611,081
Total Liabilities	\$ 197,395	\$ 2,639,466		\$ 2,836,861
Net Assets -				
Unrestricted	\$ 452,652	\$ 2,564,090	\$ 68,782	\$ 3,085,524
Total Net Assets	\$ 452,652	\$ 2,564,090	\$ 68,782	\$ 3,085,524
Total Liabilities and Net Assets	\$ 650,047	\$ 5,203,556	\$ 68,782	\$ 5,922,385

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds

Year Ended June 30, 2002

	<u>Insurance</u>	<u>Risk Management</u>	<u>Fleet Services</u>	<u>Totals</u>
Operating Revenue -				
Premiums from City departments	\$ 3,731,032	\$ 1,964,992		\$ 5,696,024
Premiums from others	772,924			772,924
Charges for services			\$ 455,200	455,200
Miscellaneous		271	627	898
	<u>\$ 4,503,956</u>	<u>\$ 1,965,263</u>	<u>\$ 455,827</u>	<u>\$ 6,925,046</u>
Operating Expenses -				
Claims and administrative expense	\$ 4,412,634	\$ 1,703,015		\$ 6,115,649
Labor expense		118,856	\$ 197,821	316,677
Parts and lubricants			248,929	248,929
Operation and maintenance			64,996	64,996
Supplies			34,754	34,754
Insurance			4,656	4,656
Social Security			15,010	15,010
Group insurance			20,393	20,393
Retirement			16,742	16,742
Utilities			6,158	6,158
Travel			3,600	3,600
Training personnel			2,581	2,581
Miscellaneous		352,455	1,976	354,431
Capital outlay			70,102	70,102
	<u>\$ 4,412,634</u>	<u>\$ 2,174,326</u>	<u>\$ 687,718</u>	<u>\$ 7,274,678</u>
Operating Income (Loss)	\$ 91,322	\$ (209,063)	\$ (231,891)	\$ (349,632)
Nonoperating Revenue -				
Interest earned	<u>4,876</u>	<u>67,934</u>		<u>72,810</u>
Net Income (Loss) before transfers	\$ 96,198	\$ (141,129)	\$ (231,891)	\$ (276,822)
Operating transfers in			<u>300,673</u>	<u>300,673</u>
Change in Net Assets	<u>\$ 96,198</u>	<u>\$ (141,129)</u>	<u>\$ 68,782</u>	<u>\$ 23,851</u>
Net Assets at beginning of year as previously reported	\$ 356,454	\$ 3,694,219	\$ -0-	\$ 4,050,673
Prior period adjustment		<u>(989,000)</u>		<u>(989,000)</u>
Net Assets at beginning of year as restated	<u>\$ 356,454</u>	<u>\$ 2,705,219</u>	<u>\$ -0-</u>	<u>\$ 3,061,673</u>
Net Assets at end of year	<u>\$ 452,652</u>	<u>\$ 2,564,090</u>	<u>\$ 68,782</u>	<u>\$ 3,085,524</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2002

	<u>Insurance</u>	<u>Risk Management</u>	<u>Fleet Services</u>	<u>Totals</u>
Cash Flows From Operating Activities-				
Cash received from interfund services provided	\$ 4,663,713	\$ 1,964,992	\$ 449,504	\$ 7,078,209
Cash payments to suppliers			(552,983)	(552,983)
Cash payments to employees		(118,856)	(197,821)	(316,677)
Cash payments of claims and administrative expenses	(4,450,365)	(1,719,868)		(6,170,233)
Other receipts (payments)		(352,184)	627	(351,557)
Net Cash Provided (Used) by Operating Activities	\$ <u>213,348</u>	\$ <u>(225,916)</u>	\$ <u>(300,673)</u>	\$ <u>(313,241)</u>
Cash Flows from Noncapital Financing Activities -				
Operating transfers in			\$ 300,673	\$ 300,673
Net Cash Provided by Noncapital Financing Activities			\$ <u>300,673</u>	\$ <u>300,673</u>
Cash Flows From Investing Activities-				
Interest received	\$ <u>4,876</u>	\$ <u>73,799</u>		\$ <u>78,675</u>
Net Cash Provided by Investing Activities	\$ <u>4,876</u>	\$ <u>73,799</u>		\$ <u>78,675</u>
Net Increase in Cash and Cash Equivalents	\$ 218,224	\$ (152,117)	\$ 0	\$ 66,107
Cash and Cash Equivalents at beginning of year	403,011	2,850,997		3,254,008
Cash and Cash Equivalents at end of year	\$ <u><u>621,235</u></u>	\$ <u><u>2,698,880</u></u>	\$ <u><u>0</u></u>	\$ <u><u>3,320,115</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 91,322	\$ (209,063)	\$ (231,891)	\$ (349,632)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Changes in assets and liabilities -				
Due from other funds	159,757		(5,696)	154,061
Due from others	(28,812)	(682)		(29,494)
Inventory			(63,086)	(63,086)
Accounts payable	(8,919)	(16,531)		(25,450)
Due to other funds		360		360
Net Cash Provided (Used) by Operating Activities	\$ <u><u>213,348</u></u>	\$ <u><u>(225,916)</u></u>	\$ <u><u>(300,673)</u></u>	\$ <u><u>(313,241)</u></u>

See notes to financial statements.

PENSION TRUST FUNDS

Pension Trust Funds account for assets held in trust on behalf of City employees. The funds are accounted for in the same manner as proprietary funds.

Employees' Pension Trust Fund accounts for revenues and expenses associated with the City's defined benefit employee pension plan. Revenues are derived primarily from contributions made by the City, employees, and earnings on investments.

Electric Department Employee Pension Fund accounts for revenues and expenses associated with the administration of the pension plan on behalf of the employees of the Murfreesboro Electric Department. Revenues are derived primarily from contributions made by the employer, employees, and investment earnings.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Net Assets
Pension Trust Funds

June 30, 2002

	<u>Employees'</u> <u>Pension</u>	<u>Electric</u> <u>Department</u> <u>Pension</u>	<u>Totals</u>
<hr/>			
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,808,422	\$ 1,233,225	\$ 5,041,647
Investments, at fair value	39,653,824	6,320,725	45,974,549
Accrued interest receivable		69,553	69,553
Contributions receivable	191,154	316,692	507,846
	<u>\$ 43,653,400</u>	<u>\$ 7,940,195</u>	<u>\$ 51,593,595</u>
 <u>NET ASSETS</u>			
Net Assets -			
Held in trust for pension benefits	<u>\$ 43,653,400</u>	<u>\$ 7,940,195</u>	<u>\$ 51,593,595</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds

Year Ended June 30, 2002

	Employees' Pension	Electric Department Pension	Totals
Additions -			
Contributions -			
Employer	\$ 2,442,154	\$ 316,692	\$ 2,758,846
Investment income-			
Net depreciation in fair value of investments	\$ (2,631,030)	\$ (1,042,304)	\$ (3,673,334)
Interest	1,570,489	276,470	1,846,959
Dividends	182,605	52,412	235,017
Total investment income	\$ (877,936)	\$ (713,422)	\$ (1,591,358)
Less investment fees		(25,616)	(25,616)
Net investment income	\$ (877,936)	\$ (739,038)	\$ (1,616,974)
Total additions	\$ 1,564,218	\$ (422,346)	\$ 1,141,872
Deductions -			
Benefits to participants	\$ 1,244,292	\$ 237,118	\$ 1,481,410
Insurance premiums	316,249		316,249
Total deductions	\$ 1,560,541	\$ 237,118	\$ 1,797,659
Net Increase (Decrease)	\$ 3,677	\$ (659,464)	\$ (655,787)
Net Assets Held in Trust for Pension Benefits -			
Beginning of year	43,649,723	8,599,659	52,249,382
End of year	\$ 43,653,400	\$ 7,940,195	\$ 51,593,595

See notes to financial statements.

FINANCIAL SCHEDULES

Financial Schedules are presented to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements, and present other information deemed useful.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Certificates of Deposit by Fund

June 30, 2002

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Enterprise Funds -			
Murfreeseboro Water and Sewer Department -			
Amsouth Bank, Murfreeseboro	5.00 %	08-16-02	\$ 500,000
Amsouth Bank, Murfreeseboro	1.60	07-09-02	500,000
Firstar Bank, Murfreeseboro	4.42	06-19-03	500,000
Firstar Bank, Murfreeseboro	3.61	12-17-03	500,000
Firstar Bank, Murfreeseboro	4.92	03-30-03	500,000
Firstar Bank, Murfreeseboro	4.92	04-02-03	500,000
Firstar Bank, Murfreeseboro	4.39	11-04-02	500,000
Firstar Bank, Murfreeseboro	4.63	05-07-03	500,000
Firstar Bank, Murfreeseboro	4.60	06-05-03	500,000
Firstar Bank, Murfreeseboro	4.01	12-25-02	500,000
Firstar Bank, Murfreeseboro	4.38	06-25-03	500,000
Firstar Bank, Murfreeseboro	4.46	07-23-03	500,000
Firstar Bank, Murfreeseboro	4.09	02-03-03	500,000
Firstar Bank, Murfreeseboro	3.44	10-12-03	500,000
Regions Bank	2.53	06-26-03	500,000
Rutherford Bank	2.50	02-22-03	500,000
Suntrust Bank	3.20	10-29-03	500,000
Suntrust Bank	3.17	11-15-03	500,000
Suntrust Bank	3.14	01-14-04	500,000
Suntrust Bank	4.23	12-18-02	500,000
Suntrust Bank	4.75	10-03-02	500,000
Suntrust Bank	3.73	07-24-02	500,000
Suntrust Bank	3.66	12-10-03	500,000
Suntrust Bank	4.80	09-26-02	500,000
Suntrust Bank	3.38	09-13-03	500,000
Suntrust Bank	4.84	05-21-03	500,000
Suntrust Bank	3.52	01-29-04	500,000
Suntrust Bank	4.50	11-24-02	500,000
Suntrust Bank	4.58	06-21-03	500,000
Suntrust Bank	4.22	12-22-02	500,000
Suntrust Bank	4.48	01-09-03	500,000
			\$ <u>15,500,000</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Certificates of Deposit by Fund (continued)

June 30, 2002

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Murfreesboro Electric Department -			
Bank of Murfreesboro, Murfreesboro	2.50 %	01-11-03	\$ 2,157,000
Suntrust Bank	1.88	07-10-03	1,030,000
Suntrust Bank	4.71	07-10-02	500,000
			<u>\$ 3,687,000</u>
Evergreen Cemetery Commission -			
Cavalry Banking	2.00 %	07-12-02	\$ 6,174
Cavalry Banking	1.95	10-02-02	16,032
Cavalry Banking	3.10	10-04-02	16,267
			<u>\$ 38,473</u>
Internal Service Funds -			
Risk Management Fund -			
Firststar Bank, Murfreesboro	2.64 %	02-14-04	\$ 400,512
Total Certificates of Deposit			<u>\$ 19,625,985</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund

June 30, 2002

	<u>Interest Rate</u>		<u>Maturity Date</u>	<u>Fair Value</u>
Employees' Pension Trust Fund -				
United States Treasury Notes	6.000	%	08-15-09	\$ 244,406
United States Treasury Notes	6.000		08-15-09	244,406
United States Treasury Bonds	6.000		02-15-26	364,000
Federal National Mortgage Association	5.020		09-12-05	514,690
Federal Farm Credit Bank	4.250		07-01-03	203,938
Federal Home Loan Bank	6.200		05-19-03	103,500
Federal Home Loan Bank	6.000		09-15-05	26,711
Federal Home Loan Bank	6.250		07-26-02	75,235
Federal Home Loan Bank	7.000		11-21-05	224,468
Federal Home Loan Bank	6.030		03-12-08	205,312
Federal Home Loan Bank	6.105		12-12-08	206,376
Federal Home Loan Bank	5.300		08-15-05	257,658
Federal Home Loan Bank	5.070		02-17-05	254,923
Federal Home Loan Bank	5.100		09-12-05	514,530
Federal Home Loan Bank	4.100		08-23-05	232,732
Federal Home Loan Bank	4.000		05-26-05	250,703
Federal Home Loan Bank	4.065		06-06-05	755,392
Federal Home Loan Bank	5.020		07-05-06	205,062
Federal Home Loan Bank	5.000		07-12-06	256,172
Government National Mortgage Association	7.000		09-15-11	94,424
Government National Mortgage Association II	6.500		04-20-29	216,474
Government National Mortgage Association	7.000		09-15-11	94,424
Government National Mortgage Association	6.500		03-15-29	153,735
Government National Mortgage Association	6.500		01-15-29	195,205
Anheuser Busch Companies Incorporated Debenture Notes	7.125		07-01-17	415,856
Archer Daniels Midland Company Note	6.625		05-01-29	246,120
Atlantic Richfield Company Note	5.900		04-15-09	311,472
Banc One Texas Sub Notes	6.250		02-15-08	237,661
BankAmerica Corp Sub Notes	7.625		06-15-04	161,949
Bankers Trust NY Corp Sub Notes	7.375		05-01-08	81,944
Bell Atlantic Financial Services Medium Term Notes Series A	7.600		03-15-07	109,504
Bestfoods Medium Term Note	6.625		04-15-28	297,216
Caterpillar, Inc. Note	7.250		09-15-09	82,571
Central Power & Light Co. First Mtg Series EE Notes	7.500		12-01-02	127,388
Countrywide Home Ln Inc. Medium Term Notes	6.840		10-22-04	265,492
Daimlerchrysler NA Holding Notes	7.400		01-20-05	158,595
Disney Walt Company New Medium Term Notes	5.620		12-01-08	249,058

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2002

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Employees' Pension Trust Fund (continued) -			
FPL Group Capital Incorporated Note	7.625 %	09-15-06	\$ 136,306
First Union National Bank NC Series Bank Notes	6.180	02-15-36	257,385
Florida Power Company Medium Term Notes	6.540	07-01-02	250,000
Ford Motor Company Bonds	6.625	10-01-28	210,808
Ford Motor Credit Company Notes	6.250	12-08-05	252,870
Ford Motor Credit Company Notes	7.250	01-15-03	127,475
GTE Corporate Debentures	7.900	02-01-27	245,460
General Electric Cap Corporation Note	7.250	02-01-05	135,473
General Electric Cap Corporation Medium Term Note	6.125	02-22-11	305,739
Hewlett-Packard Company Note	7.150	06-15-05	318,735
International Business Machine Corporation Debentures	7.000	10-30-25	259,660
Kimberly-Clark Corporation Notes	7.100	08-01-07	133,820
Lilly Eli & Company Notes	7.125	06-01-25	271,930
Mellon Bank NA Subordinate Bank Notes	7.625	09-15-07	141,162
Morgan JP & Company Incorporated Notes	6.700	11-01-07	319,089
National Rural Utilities Coop Financial Corporation Notes	6.490	07-10-02	250,193
Nations Bank Corporation Sub Notes	7.750	08-15-15	281,072
Northern States Power Co Minn Senior Notes	6.875	08-01-09	229,583
Sara Lee Corporation Mtn Series D Notes	6.150	06-19-08	262,527
Target Corporation Bonds	7.500	02-15-05	218,496
United Technologies Corporation Notes	7.000	09-15-06	272,057
Virginia Electric and Power Company Notes	6.625	04-01-03	257,105
Wachovia Corporation New Sub Notes	6.605	10-01-25	344,302
Washington Gas Light Company Medium Term Notes	6.850	03-09-28	245,117
Wells Fargo Bank NA Subordinate Notes	6.450	02-01-11	313,554
American General Finance Notes	5.875	12-15-05	263,667
Anheuser Busch Company Incorporated Notes	7.125	07-01-17	415,856
Bank One Texas Bank Notes	6.250	02-15-08	237,661
Bank One Corporation Notes	6.500	02-01-06	106,111
BankBoston NA Notes	6.375	03-25-08	154,574
GCB Bear Stearns Notes	6.200	03-30-03	76,859
Citicorp Notes	6.375	11-15-08	158,058
Conoco, Incorporated Senior Notes	5.900	04-15-04	260,370
Countrywide Home Loan Incorporated Notes	6.840	10-22-04	265,492
Eastman Chemical Company Notes	6.375	01-15-04	260,035
Florida Power Corporation Notes	6.540	07-01-02	250,000
Ford Motor Credit Company Notes	6.250	12-08-05	505,740
Ford Motor Credit Company Notes	6.125	01-09-06	100,089
Ford Motor Credit Company Notes	6.000	01-14-03	75,992

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2002

	<u>Interest Rate</u>		<u>Maturity Date</u>	<u>Fair Value</u>
Employees' Pension Trust Fund (continued) -				
Ford Motor Credit Company Notes	7.600	%	08-01-05	\$ 104,990
GTE South Notes	6.125		06-15-07	101,463
General Motors Acceptance Corporation Notes	5.750		11-10-03	102,517
General Motors Acceptance Corporation Notes	7.250		03-02-11	255,247
General Motors Acceptance Corporation Notes	6.000		03-15-07	251,570
General Motors Acceptance Corporation Notes	6.380		01-30-04	181,314
Goldman Sachs Notes	6.650		05-01-09	205,494
Hewlett-Packard Company Notes	7.150		06-15-05	212,490
Household Finance Corporation Notes	6.000		05-01-04	232,589
Merrill Lynch & Company Notes	6.000		02-12-03	51,151
Merrill Lynch & Company Notes	6.375		10-15-08	209,658
Merrill Lynch Global Notes	6.000		11-15-04	78,541
JP Morgan Notes	6.000		01-15-09	203,332
Morgan Stanley Dean Witter Notes	7.125		01-15-03	102,625
Morgan Stanley Dean Witter Notes	6.100		04-15-06	156,322
National Rural Utilities Medterm C Notes	6.490		07-10-02	250,192
Nationsbank Corporation Notes	7.750		08-15-15	281,072
Nations Bank Notes	6.375		02-15-08	105,399
Northern States Power Notes	6.875		08-01-09	229,583
Reliance Electric Company Notes	6.800		04-15-03	256,777
Salomon S. Barney Notes	6.250		01-15-05	78,698
Salomon S. Barney Notes	6.500		02-15-08	160,310
Sara Lee Corporation Notes	6.150		06-19-08	262,527
Scana Corporation Medium Term Notes Series B	6.250		07-08-03	258,112
Suntrust Banks Notes	6.250		06-01-08	422,224
Target Corporation Notes	7.500		02-15-05	218,496
US West Capital Funding Incorporated Notes	6.125		07-15-02	49,344
United Technologies Corporation Notes	7.000		09-15-06	272,057
Virginia Electric Power Company Notes	6.625		04-01-03	257,105
Wachovia Corporation Notes	6.375		02-01-09	156,301
Wachovia Corporation Notes	6.250		08-04-08	41,515
Wachovia Corporation Notes	6.150		03-15-09	98,076
Wachovia Corporation Notes	7.450		07-15-05	82,307
BJ's Wholesale Club Incorporated Common Stock	N/A		N/A	90,475
Harley Davidson Incorporated Common Stock	N/A		N/A	117,152
Home Depot Incorporated Common Stock	N/A		N/A	160,143
Target Corporation Common Stock	N/A		N/A	112,014

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2002

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Employees' Pension Trust Fund (continued) -			
Wal-Mart Stores Incorporated Common Stock	N/A	N/A	\$ 190,885
Sysco Corporation Common Stock	N/A	N/A	211,772
Walgreen Company Common Stock	N/A	N/A	195,468
Chevron Texaco Corporation Common Stock	N/A	N/A	159,300
Exxon Mobil Corporation Common Stock	N/A	N/A	265,162
American International Group Common Stock	N/A	N/A	160,340
BB&T Corporation Common Stock	N/A	N/A	121,783
Fannie Mae Common Stock	N/A	N/A	192,856
Jefferson Pilot Corporation Common Stock	N/A	N/A	129,485
MBNA Corporation Common Stock	N/A	N/A	107,478
Northern TR Corporation Common Stock	N/A	N/A	130,638
Wells Fargo and Company New Common Stock	N/A	N/A	167,701
Biomet Incorporated Common Stock	N/A	N/A	124,264
Johnson and Johnson Common Stock	N/A	N/A	226,286
Medtronic Incorporated Common Stock	N/A	N/A	173,328
Pfizer Incorporated Common Stock	N/A	N/A	163,975
Tenet Healthcare Corporation Common Stock	N/A	N/A	114,838
Wellpoint Health Networks Incorporated New Class A	N/A	N/A	244,323
Automatic Data Processing Incorporated Common Stock	N/A	N/A	141,102
Cintas Corporation Common Stock	N/A	N/A	125,305
Danaher Corporation Common Stock	N/A	N/A	206,349
General Dynamics Corporation Common Stock	N/A	N/A	126,557
General Electric Corporation Common Stock	N/A	N/A	129,273
Robert Half International Incorporated Common Stock	N/A	N/A	177,430
Affiliated Computer Services Class A Common Stock	N/A	N/A	100,658
Cisco Systems Common Stock	N/A	N/A	97,790
Dell Computer Corporation Common Stock	N/A	N/A	110,442
Intel Corporation Common Stock	N/A	N/A	96,192
Microsoft Corporation Common Stock	N/A	N/A	134,015
Oracle Corporation Common Stock	N/A	N/A	45,740
Sungard Data Systems Common Stock	N/A	N/A	111,481
Verizon Communications Common Stock	N/A	N/A	147,351
El Paso Corporation Common Stock	N/A	N/A	40,499
STI Classic Fund-Growth and Income Fund Common Stock	N/A	N/A	1,884,892
STI Classic Fund - Small Capital Growth Trust	N/A	N/A	964,434
STI Classic Fund - International Equity Index Fund Trust Shares	N/A	N/A	114,336
AGL Res Incorporated Common Stock	N/A	N/A	232,000
Abbott Labs Common Stock	N/A	N/A	94,125
American Express Company Common Stock	N/A	N/A	92,616
American International Group, Incorporated Common Stock	N/A	N/A	238,805
Amgen Incorporated Common Stock	N/A	N/A	71,196
Amsouth Bancorporation Common Stock	N/A	N/A	55,950
Applied Materials Incorporated Common Stock	N/A	N/A	127,434
Automatic Data Processing Incorporated Common Stock	N/A	N/A	121,940

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2002

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Employees' Pension Trust Fund (continued) -			
Bellsouth Corporation Common Stock	N/A	N/A	\$ 204,750
Biomet Incorporated Common Stock	N/A	N/A	176,280
Burlington Res Common Stock	N/A	N/A	190,000
CVS Corporation Common Stock	N/A	N/A	61,200
Cardinal Health Incorporated Common Stock	N/A	N/A	216,470
Citigroup Incorporated Common Stock	N/A	N/A	174,375
Colgate Palmolive Company Common Stock	N/A	N/A	142,643
Conoco Incorporated Common Stock	N/A	N/A	222,400
DST Systems Incorporated Common Stock	N/A	N/A	82,278
Duke Energy Corporation Common Stock	N/A	N/A	233,250
Exxon Mobil Corporation Common Stock	N/A	N/A	157,133
General Electric Company Common Stock	N/A	N/A	199,719
Goodrich Corporation Common Stock	N/A	N/A	191,240
John Hancock Financial Services Common Stock	N/A	N/A	79,200
Home Depot, Incorporated Common Stock	N/A	N/A	158,857
Honeywell International Incorporated Common Stock	N/A	N/A	59,891
Intel Corporation Common Stock	N/A	N/A	94,090
International Business Machine Common Stock	N/A	N/A	126,000
Jefferson Pilot Corporation Common Stock	N/A	N/A	211,500
Johnson and Johnson Common Stock	N/A	N/A	195,975
Kraft Foods Incorporated Common Stock	N/A	N/A	225,225
L3 Communications Holdings Common Stock	N/A	N/A	124,200
Lowes Companys Incorporated Common Stock	N/A	N/A	104,420
Marsh and McLennan Companys Inc. Common Stock	N/A	N/A	159,390
Medtronic Incorporated Common Stock	N/A	N/A	173,542
Merrill Lynch & Company, Inc. Common Stock	N/A	N/A	141,750
Microsoft Corporation Common Stock	N/A	N/A	191,450
S & P 400 Cap Debenture Recpt Unit Series 1	N/A	N/A	246,262
Pfizer Incorporated Common Stock	N/A	N/A	232,750
Plum Creek Timber Company Inc. Common Stock	N/A	N/A	176,525
Quest Diagnostics Incorporated Common Stock	N/A	N/A	107,562
Raytheon Company Common Stock	N/A	N/A	147,719
Spdr TR Unit Series 1 Common Stock	N/A	N/A	123,700
Schering Plough Corporation Common Stock	N/A	N/A	79,950
Sungard Data Systems, Inc. Common Stock	N/A	N/A	218,460
Target Corporation Common Stock	N/A	N/A	140,970
United Technologies Incorporated Common Stock	N/A	N/A	169,750
Wal Mart Stores, Incorporated Common Stock	N/A	N/A	154,028
Suntrust Retirement Fixed Income Fund	N/A	N/A	472,220
			<u>\$ 39,653,824</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2002

	<u>Interest Rate</u>		<u>Maturity Date</u>	<u>Fair Value</u>
Electric Department Employee Pension Fund -				
US Treasury Note	6.375 %		08-15-02	\$ 250,470
Federal Home Loan Bank	6.890		04-06-04	160,829
Federal Home Loan Bank	6.125		11-14-02	40,491
Federal Home Loan Bank	6.200		01-21-03	102,063
Federal Home Loan Bank	7.125		02-15-05	159,954
Federal Home Loan Bank	6.000		01-16-09	206,438
Federal Home Loan Bank	4.000		05-26-05	250,313
Federal National Mortgage Association	7.400		07-01-04	164,296
Federal National Mortgage Association	6.400		09-27-05	164,689
American General Finance Notes	5.875		12-15-05	266,145
Amsouth Bancorp Sub Deb Notes	7.750		05-15-04	161,486
Bank One Corporation Notes	6.500		02-01-06	108,325
Citicorp Notes	6.000		12-02-02	50,640
Ford Motor Credit Notes	6.125		01-09-06	99,183
Ford Motor Credit Notes	7.600		08-01-05	51,798
General Motors Acceptance Corporation Notes	6.380		01-30-04	102,905
Household Finance Corporation Notes	6.000		05-01-04	177,350
Merrill Lynch & Company Notes	6.375		10-15-08	107,376
Merrill Lynch Global Notes	6.000		11-15-04	159,030
Merrill Lynch Corporation Notes	6.000		01-17-09	103,815
Morgan Stanley Dean Witter	7.125		01-15-03	76,672
Morgan Stanley Dean Witter	6.100		04-15-06	105,224
Nationsbank Senior Notes	7.000		05-15-03	207,462
Nations Bank Notes	6.375		02-15-08	54,140
Northern Telecom Limited Notes	6.000		09-01-03	80,000
Ohio Edison First Mt insured Notes	6.875		04-01-05	160,837
Sears Roebuck Acceptance Notes	6.270		10-18-04	52,770
Suntrust Bank Notes	6.250		06-01-08	270,777
Wachovia Corporation Notes	7.450		07-15-05	55,307
AGL Res Incorporated Common Stock	N/A		N/A	147,680
Abbott Labs Common Stock	N/A		N/A	113,878
American International Group Incorporated Common Stock	N/A		N/A	134,807
Applied Materials Incorporated Common Stock	N/A		N/A	44,610
Bellsouth Corporation Common Stock	N/A		N/A	80,550
Biomet Incorporated Common Stock	N/A		N/A	77,790
Burlington Res Common Stock	N/A		N/A	91,375
Chevrontexaco Corporation Common Stock	N/A		N/A	22,500
Citigroup Incorporated Common Stock	N/A		N/A	45,279
Conoco Incorporated Common Stock	N/A		N/A	96,480
Duke Energy Corporation Common Stock	N/A		N/A	70,098
Fleet Boston Financial Corporation Common Stock	N/A		N/A	40,600
General Electric Company Common Stock	N/A		N/A	169,050
Goodrich Corporation Common Stock	N/A		N/A	100,395
John Hancock Financial Services Common Stock	N/A		N/A	49,650
Home Depot, Incorporated Common Stock	N/A		N/A	92,640

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2002

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Electric Department Employee Pension Fund (continued) -			
Intel Corporation Common Stock	N/A	N/A	\$ 75,160
International Business Machines Common Stock	N/A	N/A	52,800
Jefferson Pilot Corporation Common Stock	N/A	N/A	114,056
Johnson & Johnson Common Stock	N/A	N/A	26,500
Kraft Foods Incorporated Common Stock	N/A	N/A	74,000
L3 Communications Holdings Common Stock	N/A	N/A	46,220
Medtronic Incorporated Common Stock	N/A	N/A	60,600
Merrill Lynch & Company Inc. Common Stock	N/A	N/A	53,475
Microsoft Corporation Common Stock	N/A	N/A	35,985
Pfizer Incorporated Common Stock	N/A	N/A	84,110
Plum Creek Timber Company Inc. Common Stock	N/A	N/A	85,500
Raytheon Company Common Stock	N/A	N/A	48,870
Sungard Data Systems, Inc. Common Stock	N/A	N/A	117,250
Wal Mart Stores Incorporated Common Stock	N/A	N/A	118,032
			<u>\$ 6,320,725</u>
Evergreen Cemetery Commission -			
Federal Home Loan Bank	6.200 %	01-21-03	\$ 102,313
Federal Home Loan Bank	5.250	09-12-06	77,086
Federal Home Loan Bank	4.000	05-26-05	50,140
Federal Home Loan Bank	4.065	06-06-05	50,360
Federal Home Loan Bank	5.000	07-12-06	76,852
Federal Home Loan Bank	5.050	04-26-06	77,062
Federal National Mortgage Association	5.020	09-12-05	77,203
Merrill Lynch & Company	6.000	02-12-03	51,151
BankAmerica Corporation	6.850	03-01-03	51,523
NationsBank	7.000	05-15-03	51,966
Aon Corporation	6.300	01-15-04	29,131
Merrill Lynch Global	6.000	11-15-04	52,361
Ford Motor Credit	6.125	01-09-06	50,044
Bank One Corporation	6.500	02-01-06	53,055
Morgan Stanley DW	6.100	04-15-06	52,108
Citicorp	7.125	05-15-06	54,465
Merrill Lynch & Company	7.375	05-15-06	54,715
NationsBank	6.375	02-15-08	52,700
Wachovia Corporation	6.250	08-04-08	31,136
Federated Prime Obligation Fund	N/A	N/A	90,556
			<u>\$ 1,185,927</u>
Total Investments			<u>\$ 47,160,476</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Property Taxes Receivable

Year Ended June 30, 2002

<u>Year of Levy</u>	<u>Property Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Amount</u>
1992	\$ 32,004	\$ 32,004	
1993	24,377	24,377	
1994	25,033	25,033	
1995	24,452	24,452	
1996	32,723	32,723	
1997	35,045	35,045	
1998	38,147	38,147	
1999	95,539	95,539	
2000	259,166	259,166	
2001	805,840	445,369	\$ 360,471
2002	<u>25,356,984</u>		<u>25,356,984</u>
	\$ 26,729,310	\$ 1,011,855	\$ 25,717,455
Less: Partial payments received	<u>31,149</u>		<u>31,149</u>
	<u>\$ 26,698,161</u>	<u>\$ 1,011,855</u>	<u>\$ 25,686,306</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year

June 30, 2002

<u>Fiscal Year Ended June 30,</u>	<u>Issue</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
General Long-Term Debt -					
2003	General Improvement Refunding Bonds, Series 1993	4.60	\$ 3,075,000	\$ 326,030	\$ 3,401,030
2004		4.75	2,700,000	191,180	2,891,180
2005		4.80	1,815,000	83,495	1,898,495
2006		4.90	815,000	19,968	834,968
			<u>\$ 8,405,000</u>	<u>\$ 620,673</u>	<u>\$ 9,025,673</u>
2003	General Improvement Bonds, Series 1993	4.90	\$ 1,025,000	\$ 419,968	\$ 1,444,968
2004		5.00	1,080,000	367,855	1,447,855
2005		5.50	1,135,000	309,642	1,444,642
2006		5.20	1,190,000	247,490	1,437,490
2007		5.40	1,250,000	182,800	1,432,800
2008		5.50	1,310,000	113,025	1,423,025
2009		5.60	1,375,000	38,500	1,413,500
			<u>\$ 8,365,000</u>	<u>\$ 1,679,280</u>	<u>\$ 10,044,280</u>
2003	Tennessee Municipal Bond Fund Loan (1)		\$ 320,400	\$ 49,706	\$ 370,106
2004			342,900	43,873	386,773
2005			366,900	37,630	404,530
2006			392,500	30,951	423,451
2007			420,000	23,805	443,805
2008			449,400	16,159	465,559
2009			480,800	7,977	488,777
			<u>\$ 2,772,900</u>	<u>\$ 210,101</u>	<u>\$ 2,983,001</u>
2003	Tennessee Municipal Bond Fund Loan (2)		\$ 1,540,000	\$ 293,240	\$ 1,833,240
2004			1,625,000	266,835	1,891,835
2005			1,710,000	238,981	1,948,981
2006			1,805,000	209,661	2,014,661
2007			1,905,000	178,713	2,083,713
2008			2,010,000	146,051	2,156,051
2009			2,120,000	111,590	2,231,590
2010			2,235,000	75,244	2,310,244
2011			2,360,000	36,921	2,396,921
			<u>\$ 17,310,000</u>	<u>\$ 1,557,236</u>	<u>\$ 18,867,236</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2002

<u>Fiscal Year Ended June 30,</u>	<u>Issue</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
General Long-Term Debt (continued) -					
2003	Tennessee Municipal Bond Fund			\$ 98,268	\$ 98,268
2004	Loan (4)		\$ 255,000	97,889	352,889
2005			268,000	93,313	361,313
2006			281,000	88,506	369,506
2007			295,000	83,464	378,464
2008			310,000	78,171	388,171
2009			325,000	72,610	397,610
2010			342,000	66,778	408,778
2011			359,000	60,642	419,642
2012			376,000	54,203	430,203
2013			395,000	47,456	442,456
2014			415,000	40,369	455,369
2015			436,000	32,923	468,923
2016			458,000	25,100	483,100
2017			480,000	16,884	496,884
2018			505,000	8,271	513,271
			<u>\$ 5,500,000</u>	<u>\$ 964,847</u>	<u>\$ 6,464,847</u>
2003	Tennessee Municipal Bond Fund		\$ 1,675,664	\$ 318,055	\$ 1,993,719
2004	Loan (4)		1,911,398	287,765	2,199,163
2005			1,323,034	254,490	1,577,524
2006			1,389,239	230,753	1,619,992
2007			1,458,633	205,828	1,664,461
2008			1,531,551	179,658	1,711,209
2009			1,608,156	152,180	1,760,336
2010			1,688,628	123,327	1,811,955
2011			1,773,026	93,030	1,866,056
2012			1,861,656	61,220	1,922,876
2013			1,719,901	28,169	1,748,070
			<u>\$ 17,940,886</u>	<u>\$ 1,934,475</u>	<u>\$ 19,875,361</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2002

<u>Fiscal Year Ended June 30,</u>	<u>Issue</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
General Long-Term Debt (continued) -					
2003	Tennessee Municipal Bond Fund		\$ 3,147,490	\$ 320,384	\$ 3,467,874
2004	Loan (3)		3,273,243	265,539	3,538,782
2005			2,432,352	209,910	2,642,262
2006			2,529,487	167,527	2,697,014
2007			2,630,499	123,451	2,753,950
2008			2,285,311	78,266	2,363,577
2009			2,376,724	38,445	2,415,169
2010			35,026	558	35,584
			<u>\$ 18,710,132</u>	<u>\$ 1,204,080</u>	<u>\$ 19,914,212</u>
2003	Tennessee Municipal Bond Fund		\$ 2,437,060	\$ 256,200	\$ 2,693,260
2004	Loan (4)		2,534,300	212,512	2,746,812
2005			2,635,420	167,081	2,802,501
2006			2,740,580	119,838	2,860,418
2007			2,001,790	71,972	2,073,762
2008			2,081,660	36,087	2,117,747
2009			111,570	1,827	113,397
			<u>\$ 14,542,380</u>	<u>\$ 865,517</u>	<u>\$ 15,407,897</u>
Total General Long-Term Debt			<u>\$ 93,546,298</u>	<u>\$ 9,036,209</u>	<u>\$ 102,582,507</u>
Murfreesboro Water and Sewer -					
2003	Water and Sewer Revenue and	6.75	\$ 115,000	\$ 31,561	\$ 146,561
2004	Tax Bonds, Series 1990	6.80	125,000	23,430	148,430
2005		6.85	135,000	14,556	149,556
2006		6.85	145,000	4,966	149,966
			<u>\$ 520,000</u>	<u>\$ 74,513</u>	<u>\$ 594,513</u>
2003	Water and Sewer System	4.90	\$ 130,000	\$ 53,500	\$ 183,500
2004	Revenue and Tax Bonds,	5.00	135,000	46,940	181,940
2005	Series 1993	5.50	145,000	39,578	184,578
2006		5.20	150,000	31,690	181,690
2007		5.40	160,000	23,470	183,470
2008		5.50	170,000	14,475	184,475
2009		5.60	175,000	4,900	179,900
			<u>\$ 1,065,000</u>	<u>\$ 214,553</u>	<u>\$ 1,279,553</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2002

<u>Fiscal Year Ended June 30,</u>	<u>Issue</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Murfreesboro Water and Sewer (continued) -					
2003	Tennessee Municipal Bond Fund		\$ 531,258	\$ 16,193	\$ 547,451
2004	Loan (3)		59,717	1,621	61,338
			<u>\$ 590,975</u>	<u>\$ 17,814</u>	<u>\$ 608,789</u>
2003	Loans from State of Tennessee (5)		\$ 497,247	\$ 143,974	\$ 641,221
2004			547,091	94,248	641,339
2005			388,248	39,304	427,552
			<u>\$ 1,432,586</u>	<u>\$ 277,526</u>	<u>\$ 1,710,112</u>
Total Murfreesboro Water and Sewer			<u>\$ 3,608,561</u>	<u>\$ 584,406</u>	<u>\$ 4,192,967</u>
Murfreesboro Electric Department -					
2003	Electric System Revenue Bonds	5.00	\$ 225,000	\$ 117,398	\$ 342,398
2004	Series 1995	5.15	240,000	106,148	346,148
2005		5.25	250,000	93,788	343,788
2006		5.25	265,000	80,663	345,663
2007		5.38	280,000	66,750	346,750
2008		5.50	295,000	51,700	346,700
2009		5.50	315,000	35,475	350,475
2010		5.50	330,000	18,150	348,150
			<u>\$ 2,200,000</u>	<u>\$ 570,072</u>	<u>\$ 2,770,072</u>
2003	Electric System Revenue Bonds	4.50	\$ 550,000	\$ 246,373	\$ 796,373
2004	Series 1999	4.50	570,000	221,623	791,623
2005		4.50	600,000	195,973	795,973
2006		4.40	620,000	168,973	788,973
2007		4.50	645,000	141,693	786,693
2008		4.60	285,000	112,668	397,668
2009		4.70	300,000	99,558	399,558
2010		4.80	315,000	85,458	400,458
2011		4.88	330,000	70,338	400,338
2012		5.00	345,000	54,250	399,250
2013		5.00	360,000	37,000	397,000
2014		5.00	380,000	19,000	399,000
			<u>\$ 5,300,000</u>	<u>\$ 1,452,907</u>	<u>\$ 6,752,907</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2002

Fiscal Year Ended June 30,	Issue	Interest Rate	Principal	Interest	Total Principal and Interest
Murfreesboro Electric Department (continued) -					
2003	Loans Payable - Utility Plant		\$ 32,710		\$ 32,710
	Acquisition (6)		\$ 32,710		\$ 32,710
Total Murfreesboro Electric Department			\$ 7,532,710	\$ 2,022,979	\$ 9,555,689
Total Indebtedness			\$ 104,687,569	\$ 11,643,594	\$ 116,331,163

- Notes: (1) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 1.81% was used which was the rate in effect at June 30, 2002.
- (2) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 1.707% was used which was the rate in effect at June 30, 2002.
- (3) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 1.737% was used which was the rate in effect at June 30, 2002.
- (4) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 1.787% was used which was the rate in effect at June 30, 2002.
- (5) Payments are subject to fluctuations due to constant restructuring of the debt by the State of Tennessee. Interest rates range from 5.0% to 9.7%.
- (6) No interest is accrued on these obligations.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Interfund Transfers - All Funds

June 30, 2002

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	General Purpose School Fund	\$ 3,500,000
	City Recreation Fund	3,686,868
	Senior Citizens Fund	364,899
	Solid Waste Fund	2,839,675
	Debt Service Fund	13,892,220
	Airport	30,266
	Old Fort Golf Course	120,000
	Fleet Services	300,673
State Street Aid Fund	Debt Service Fund	300,000
Old Fort Golf Course Fund	Debt Service Fund	235,918
Airport Fund	Debt Service Fund	50,000
Solid Waste Fund	Debt Service Fund	314,400
Bond Funds	Debt Service Fund	34,411
Commerce Park Fund	Debt Service Fund	203,395
Capital Improvements Fund	General Purpose School Fund	2,985,703
Community Development	Senior Citizens	4,000
Cemetery Trust Fund	Evergreen Cemetery Fund	58,930
Extended School Program	General Purpose School Fund	30,000
		<u>\$ 28,951,358</u>

STATISTICAL SECTION
(UNAUDITED)

CITY OF MURFREESBORO, TENNESSEE

General Governmental Revenues By Source (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Property Taxes</u>	<u>Other Local Taxes</u>	<u>Licenses, Permits and Fines</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
1993	\$ 12,768,094	\$ 8,671,881	\$ 944,457	\$ 22,111,858	\$ 2,510,886	\$ 330,223	\$ 1,396,571	\$ 48,733,970
1994	13,881,932	9,841,595	1,002,849	23,871,463	2,701,420	354,868	1,527,497	53,181,624
1995	15,925,759	11,435,273	1,201,535	26,913,913	2,929,644	348,731	1,739,945	60,494,800
1996	16,607,630	12,556,427	1,551,696	29,407,396	3,014,733	279,474	2,011,823	65,429,179
1997	17,321,428	13,920,313	1,571,570	33,405,356	3,297,966	241,626	2,377,867	72,136,126
1998	18,431,102	15,142,595	2,070,388	34,360,719	4,258,889	231,787	3,698,316	78,193,796
1999	20,165,648	16,934,294	2,178,165	36,820,271	4,419,553	746,365	3,534,200	84,798,496
2000	21,922,224	18,260,991	2,626,750	42,037,954	4,574,013	1,172,562	6,496,196	97,090,690
2001	22,793,606	21,316,800	3,039,720	44,456,365	4,365,681	1,461,883	4,528,696	101,962,751
2002	24,355,979	21,084,654	3,697,069	43,131,242	5,554,663	809,012	7,630,870	106,263,489

Source: Current year and prior years combined financial statements.

Note: General governmental revenues include the revenues of governmental funds.

CITY OF MURFREESBORO, TENNESSEE

General Governmental Expenditures By Function (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Administrative and General</u>	<u>Police and Fire Protection</u>	<u>Legal and Judicial</u>	<u>Public Works</u>	<u>Education</u>	<u>Recreation</u>	<u>Community Development</u>	<u>Other</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1993	\$ 4,210,334	\$ 7,381,172	\$ 366,902	\$ 6,248,970	\$ 19,252,302	\$ 2,533,279	\$ 682,596	\$ 1,313,570	\$ 2,142,584	\$ 6,209,242	\$ 50,340,951
1994	4,813,974	8,366,171	403,665	6,411,162	21,055,387	2,790,667	706,949	1,463,826	5,710,126	6,495,755	58,217,682
1995	4,880,189	8,692,802	424,184	7,878,799	24,637,966	3,116,360	589,573	2,587,298	6,340,392	7,543,401	66,690,964
1996	5,310,649	9,628,991	493,016	7,247,142	25,356,817	3,732,271	539,568	3,667,007	6,235,298	7,686,356	69,897,115
1997	5,915,725	11,120,773	459,229	8,256,218	26,518,791	4,114,425	786,535	2,717,360	14,518,678	7,942,819	82,350,553
1998	6,615,085	11,703,446	530,931	9,968,643	27,814,264	4,752,308	1,290,448	2,466,947	13,374,190	8,761,244	87,277,506
1999	7,011,727	12,969,965	548,548	8,307,045	30,434,359	5,175,392	592,782	2,250,307	22,949,255	10,324,668	100,564,048
2000	7,749,888	14,665,031	601,271	12,121,410	32,542,947	5,230,224	671,462	2,152,009	16,207,145	14,393,012	106,334,399
2001	8,709,582	15,119,186	639,489	12,021,050	35,468,288	5,552,647	1,042,530	2,124,200	13,851,250	14,101,397	108,629,619
2002	9,485,317	15,744,872	723,064	9,287,627	36,782,935	5,907,853	732,989	* 5,050,479	22,807,323	14,039,993	120,562,452

Source: Current year and prior years combined financial statements.

Note: General governmental expenditures include the expenditures of governmental funds.

Certain reclassifications have been made to expenditures by function in order to conform to GASB 34 in the fiscal year ended 2002.

* Included in other expense for 2002 are food service expenses of \$2,006,462 which were not included in this expenditure function in the prior year.

CITY OF MURFREESBORO, TENNESSEE

Property Tax Levies and Collections (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes (1)</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
1993	\$ 11,797,684	\$ 11,208,256	95.00 %	\$ 749,093	\$ 11,957,349	101.35 %	\$ 1,466,680	12.43 %
1994	12,374,408	11,918,268	96.31	932,154	12,850,422	103.85	853,942	6.90
1995	14,482,626	13,993,511	96.62	321,610	14,315,121	98.84	858,182	5.93
1996	15,083,508	14,702,971	97.48	364,461	15,067,432	99.89	875,456	5.80
1997	15,559,449	14,927,830	95.94	481,923	15,409,753	99.04	1,031,871	6.63
1998	16,788,096	16,481,701	98.17	642,785	17,124,486	102.00	740,233	4.41
1999	18,551,678	18,114,001	97.64	327,874	18,441,875	99.41	909,757	4.90
2000	20,059,353	19,418,410	96.80	472,336	19,890,746	99.16	1,165,290	5.81
2001	21,294,122	20,459,065	96.08	645,045	21,104,110	99.11	1,408,585	6.61
2002	21,620,218	20,881,617	96.58	822,096	21,703,713	100.39	566,485	2.62

Source: City of Murfreesboro Tax Department

(1) Outstanding delinquent taxes for the fiscal years June 30, 1993 through June 30, 2001 have been filed with the chancery court of Rutherford County.

CITY OF MURFREESBORO, TENNESSEE

Assessed Value and Estimated Actual Value of Taxable Property (Unaudited)

Last Ten Fiscal Years

Year Ended June 30,	Tax Rate (1)	Assessed Valuation			Total Estimated Actual Value	Ratio of Assessed Value to Estimated Actual Value
		Property	Public Utilities	Total		
1993	\$ 2.29	\$ 496,724,650	\$ 22,456,340	\$ 519,180,990	\$ 1,615,390,815	32.1%
1994	2.29	517,519,552	22,846,851	540,366,403	1,709,843,027	31.6%
1995	2.30	603,318,781	26,424,941	629,743,722	1,982,063,096	31.8%
1996	2.28	633,893,912	27,656,528	661,550,440	2,091,681,990	31.6%
1997	2.26	664,514,705	23,956,476	688,471,181	2,178,706,269	31.6%
1998	2.26	719,584,419	23,251,665	742,836,084	2,350,747,101	31.6%
1999	1.90	947,477,835	28,926,341	976,404,176	3,089,886,633	31.6%
2000	1.90	1,024,583,966	31,149,479	1,055,733,445	3,379,155,672	31.2%
2001	1.90	1,087,344,584	33,371,877	1,120,716,461	3,623,256,503	30.9%
2002	1.90	1,137,883,832	34,117,576	1,172,001,408	3,804,249,039	30.8%

(1) Per \$100 of assessed value.

Source: City of Murfreesboro Tax Department

CITY OF MURFREESBORO, TENNESSEE

Property Tax Rates and Levies - Direct and Overlapping Governments (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Tax Rate Per \$100 Assessed Value			Tax Levies		
	City	County	Total	City	County	Total
1993	\$ 2.29	\$ 3.39	\$ 5.68	\$ 11,797,684	\$ 17,600,236	\$ 29,397,920
1994	2.29	3.39	5.68	12,374,408	18,318,421	30,692,829
1995	2.30	2.97	5.27	14,482,626	18,703,389	33,186,015
1996	2.28	3.15	5.43	15,083,508	20,838,839	35,922,347
1997	2.26	3.30	5.56	15,559,449	22,719,549	38,278,998
1998	2.26	3.37	5.63	16,788,096	25,033,576	41,821,672
1999	1.90	2.78	4.68	18,551,678	27,144,036	45,695,714
2000	1.90	2.78	4.68	20,059,353	29,349,390	49,408,743
2001	1.90	2.78	4.68	21,294,122	31,155,918	52,450,040
2002	1.90	2.78	4.68	21,620,218	32,581,639	54,201,857

Source: City of Murfreesboro Tax Department

CITY OF MURFREESBORO, TENNESSEE

Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Estimated Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1993	46,420	\$ 519,180,990	\$ 48,095,000	\$ 302,029	\$ 47,792,971	9.21 %	\$ 1,029.58
1994	46,920	540,366,403	59,260,000	239,900	59,020,100	10.92	1,257.89
1995	49,631	629,743,722	54,505,000	214,520	54,290,480	8.62	1,093.88
1996	52,341	661,550,440	49,705,000	223,602	49,481,398	7.48	945.37
1997	55,000	688,471,181	44,665,000	177,732	44,487,268	6.46	808.86
1998	59,506	742,836,084	39,385,000	201,047	39,183,953	5.27	658.49
1999	62,000	976,404,176	33,840,000	392,101	33,447,899	3.43	539.48
2000	68,816	1,055,733,445	25,375,000	1,637,060	23,737,940	2.25	344.95
2001	72,414	1,120,716,461	21,170,000	1,940,948	19,229,052	1.72	265.54
2002	76,012	1,172,001,408	16,770,000	3,048,805	13,721,195	1.17	180.51

Note:

(1) Special Census conducted 1994, 1996 and 1998, federal census conducted 2000, others are estimated.

(2) The State of Tennessee has not mandated a legal debt margin requirement for municipalities.

Therefore, a schedule of the computation of the legal debt margin is not applicable.

CITY OF MURFREESBORO, TENNESSEE

Ratio of Annual Debt Service
For General Bonded Debt to Total General Expenditures (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (1)</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1993	\$ 6,209,242	\$ 50,340,951	12.3 %
1994	6,495,755	58,217,682	11.2
1995	7,543,401	66,690,964	11.3
1996	7,686,356	69,897,115	11.0
1997	7,942,819	82,350,553	9.6
1998	8,761,244	87,277,506	10.0
1999	10,324,668	100,564,048	10.3
2000	14,393,012	106,334,399	13.5
2001	14,101,397	108,629,719	13.0
2002	14,039,993	120,562,452	11.6

Source: Current year and prior years combined financial statements.

Note:

(1) Total general expenditures include the expenditures of all governmental fund types.

CITY OF MURFREESBORO, TENNESSEE

Computation of Direct and Estimated Overlapping Bonded Debt
Payable from Ad Valorem Taxes (Unaudited)

June 30, 2002

<u>Taxing Jurisdiction</u>	<u>Net General Bonded Debt (1)</u>	<u>Estimated Percent Applicable</u>	<u>Direct and Overlapping Bonded Debt</u>
City of Murfreesboro	\$ 16,770,000	100.00%	\$ 16,770,000
Rutherford County (2)	228,080,000	39.98%	<u>91,186,384</u>
Total direct and estimated overlapping bonded debt			\$ <u>107,956,384</u>
Ratio, direct and estimated overlapping debt to 2001 assessed valuation (3)			<u>9.21%</u>
Per capita direct and estimated overlapping bonded debt (4)			\$ <u>1,420</u>

(1) As of June 30, 2002.

(2) Source: Rutherford County Comprehensive Annual Financial Report, June 30, 2002, Table 11.

(3) Based upon 2001 Taxable Assessed Valuation of \$1,172,001,408.

(4) Based upon estimated population of 76,012.

CITY OF MURFREESBORO, TENNESSEE

Revenue Bond Coverage (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Gross Revenues (1)</u>	<u>Net Operating Expenses (2)</u>	<u>Net Revenues Available for Debt Service</u>	<u>Debt Service Requirement</u>	<u>Times Coverage</u>
Water and Sewer -					
1993	\$ 11,188,113	\$ 5,673,236	\$ 5,514,877	\$ 2,270,271	2.43
1994	12,865,756	6,060,752	6,805,004	2,091,358	3.25
1995	13,011,104	6,540,011	6,471,093	2,029,048	3.19
1996	14,307,118	6,855,183	7,451,935	1,871,832	3.98
1997	15,003,364	7,466,242	7,537,122	1,882,386	4.00
1998	15,735,084	7,978,516	7,756,568	1,882,840	4.12
1999	17,008,794	8,534,714	8,474,080	1,887,761	4.49
2000	17,615,689	9,320,737	8,294,952	1,891,020	4.39
2001	17,497,224	9,875,658	7,621,566	1,440,342	5.29
2002	17,934,536	9,899,664	8,034,872	1,517,316	5.30
Electric Department -					
1993	\$ 43,478,032	\$ 39,410,132	\$ 4,067,900	\$ 444,770	9.15
1994	46,997,440	43,304,288	3,693,152	436,347	8.46
1995	48,262,085	44,536,553	3,725,532	478,211	7.79
1996	53,012,767	49,100,553	3,912,214	753,237	5.19
1997	53,142,643	48,784,924	4,357,719	749,973	5.81
1998	59,111,205	54,794,789	4,316,416	753,990	5.72
1999	62,671,072	58,040,874	4,630,198	752,902	6.15
2000	64,378,477	59,625,745	4,752,732	1,281,571	3.71
2001	68,260,667	62,610,100	5,650,567	1,299,266	4.35
2002	67,984,679	62,924,428	5,060,251	1,176,081	4.30

Source: Current year and prior years combined financial statements.

Notes:

(1) Includes operating and nonoperating revenues.

(2) Includes operating expenses minus depreciation and amortization.

CITY OF MURFREESBORO, TENNESSEE

Demographic Statistics (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Unemployment Rate (2)</u>
1993	46,420	\$ 19,323	4.80 %
1994	46,920	20,309	4.30
1995	49,631	21,260	3.30
1996	52,341	22,041	3.60
1997	55,000	22,606	3.40
1998	59,506	23,436	3.80
1999	62,000	23,948	2.60
2000	68,816	25,716	2.50
2001	72,414	26,230	2.90
2002	76,012	26,472	3.70

Notes:

(1) Special Census conducted 1994, 1996, 1998 and Federal Census conducted 2000, others are estimated.

(2) Source: University of Tennessee, Center for Business & Economic Research, Tennessee Department of Education. These figures represent the entire County of which Murfreesboro is a part.

CITY OF MURFREESBORO, TENNESSEE

Property Value, Construction and Bank Deposits (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Non-Residential Construction Value (1)	Residential Construction (1)		Bank Deposits (2)	Total Taxable Assessed Value (3)
		Units	Value		
1993	\$ 19,438,065	519	\$ 36,533,443	\$ 743,642,000	\$ 519,180,990
1994	40,558,445	634	46,569,515	768,101,000	540,366,403
1995	28,636,373	892	64,225,148	869,580,000	629,743,722
1996	100,942,971	2,241	139,556,344	917,600,000	661,550,440
1997	88,574,145	1,200	92,251,621	1,041,341,600	688,471,181
1998	88,747,506	722	67,892,203	1,079,988,000	742,836,084
1999	69,355,913	1,689	127,088,851	1,159,892,000	976,404,176
2000	100,529,467	1,774	122,203,582	1,224,854,000	1,055,733,445
2001	67,636,884	1,710	141,779,641	1,238,039,000	1,120,716,461
2002	57,770,219	1,191	117,448,803	1,295,977,000	1,172,001,408

(1) Source: Murfreesboro Building and Codes Department and the Rutherford County Chamber of Commerce.

(2) Data is as of June 30 each year for branches of all depository institutions located within the City of Murfreesboro.

Source: Federal Deposit Insurance Corporation website: www2.fdic.gov.

(3) Source: City of Murfreesboro tax department.

CITY OF MURFREESBORO, TENNESSEE

Principal Taxpayers (Unaudited)

June 30, 2002

<u>Taxpayer</u>	<u>2001 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Pillsbury Company	\$ 24,426,888	2.08 %
Bellsouth Telecommunications	13,267,681	1.13
State Farm Insurance Company	11,471,770	0.98
Tennex Industries, Inc.	8,610,715	0.73
Buford C. Throneberry	8,286,630	0.71
Stones River Real Estate	8,190,240	0.70
Boston Capital University	7,002,680	0.60
Atmos Energy Corporation	5,966,586	0.51
Chelsea Place Limited Partnership	5,966,480	0.51
ORS Real Estate Limited Partnership	5,798,800	0.49
	<u>\$ 98,988,470</u>	<u>8.44 %</u>

Source: City of Murfreesboro tax department.

CITY OF MURFREESBORO, TENNESSEE

Salaries of Principal City Officials and Amounts
Of Fidelity Bonds - (Unaudited)

Year Ended June 30, 2002

<u>Name of Official</u>	<u>Position</u>	<u>Salary</u>	<u>Fidelity Bond</u>
Tommy Bragg	Mayor	\$ 12,000	
Chris Bratcher	Councilperson	9,711	
Doug Young	Councilperson	9,711	
Beth O'Brien	Councilperson	9,711	
Bill Schacklett	Councilperson	9,711	
Tolbert Gilley, III	Councilperson	9,711	
Ronald Washington	Councilperson	9,711	
Roger G. Haley	City Manager	100,694	
James B. Penner	City Recorder	80,750	\$ 100,000
Susan McGannon	City Attorney	99,515	
Sherry Carpenter	City Treasurer	80,750	50,000
Ewing Sellers	City Judge	35,100	
Marilyn Mathis	City Schools Superintendent	93,000	

Source - City of Murfreesboro

Note - The water and sewer department has a fidelity bond with a maximum limit of \$10,000 per employee and the electric department with a maximum limit of \$250,000 per employee.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Insurance Coverage (Unaudited)

Year Ended June 30, 2002

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>All City Departments Excluding Murfreesboro Electric Department -</u>	
Fire and Extended Coverage, Vandalism, and Malicious Mischief- Various City buildings and contents - \$100,000 deductible	\$213,491,434
Umbrella Liability	Self-insured
Comprehensive General Liability- Bodily injury and property damage	Self-insured
Automobile Liability- Bodily injury and property damage	Self-insured
Worker's compensation- Employer's liability	Self-insured
Law Enforcement Liability (in Excess of Retained Limit of \$10,000)	1,000,000
Steam Boiler and Machinery - \$5,000 deductible	25,000,000
Airport -	
General liability	5,000,000
Fire damage - general liability	50,000
Ground hangarkeepers - general liability - \$1,000 deductible	500,000/3,000,000
<u>Murfreesboro Electric Department -</u>	
Fire and Extended Coverage	
Building - 205 North Walnut Street	\$ 1,440,000
Contents - 205 North Walnut Street	1,435,000
Warehouse - Corner of W. College and Front Streets	175,200
Inventory - North Front Street	215,000

CITY OF MURFREESBORO, TENNESSEE

Schedule of Insurance Coverage (Unaudited) (continued)

Year Ended June 30, 2002

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>Murfreesboro Electric Department – (continued)</u>	
Electronic equipment and data processing	1,227,527
Contractor's equipment	643,154
Communications/radio equipment	62,811
Substations	
Bridge Avenue	\$4,415,000
South Church	1,225,000
Dill Lane	1,940,000
Pitts Lane	1,225,000
Jones Blvd.	1,225,000
Dill Lane and Mercury Blvd.	3,363,000
Butler Drive	2,123,000
Thompson Lane	2,123,000
Fleet Automobile and Truck	
Liability – Bodily injury and property damage	\$1,000,000
Comprehensive	Stated Cash Values
Uninsured motorist (per accident)	\$1,000,000
Auto physical damage - All automobiles	Stated Cash Values
General Liability	
Bodily injury/Property damage	
Per occurrence	\$ 1,000,000
Aggregate	3,000,000
Worker's Compensation	
Murfreesboro Electric Department is covered under the City of Murfreesboro's self-insurance program for workmen's compensation.	
Commercial Crime	
Employee dishonesty	\$ 250,000
Theft, disappearance, destruction	250,000
Umbrella Policy	\$ 3,000,000
Director and Officer Liability	\$ 1,000,000

CITY OF MURFREESBORO, TENNESSEE

Schedule of Customers and Rate Structure (Unaudited)

Year Ended June 30, 2002

Murfreesboro Water and Sewer Department

As of June 30, 2002, Murfreesboro Water and Sewer Department serves approximately 21,850 customers and had the following rate structure in place:

Water:

\$2.29 per 100 cubic feet of consumption (\$.0229 per cubic foot)

The following minimum monthly water charges apply:

<u>Meter Size</u>	<u>Charge</u>	<u>Allowance</u>
5/8"	\$ 6.87	300 cubic feet
1"	16.03	700 cubic feet
1-1/2"	34.35	1,500 cubic feet
2"	54.96	2,400 cubic feet
3"	137.40	6,000 cubic feet
4"	274.80	12,000 cubic feet
6"	572.50	25,000 cubic feet

Sewer:

80% of the above water rates is charged for sewerage service fee plus
\$.0070 per cubic foot is charged for operation and maintenance fee.

Murfreesboro Electric Department

As of June 30, 2002, Murfreesboro Electric Department serves approximately 37,000 customers and had the following rate structure in place:

Residential:

Customer Charge - \$4.50 per month (also minimum bill)
Energy Charge - \$.05652 per KWH

Commercial:

General Power (GSA)
(1) Not more than 50 KWD (KWH not over 15,000)

Customer Charge \$9.05
Energy Charge \$.06179 per KWH

CITY OF MURFREESBORO, TENNESSEE

Schedule of Customers and Rate Structure (Unaudited) (continued)

Year Ended June 30, 2002

Murfreesboro Electric Department (continued)

Commercial (continued):

- (2) Greater than 50 KWD but not more than 1,000 KWD or less than 50 KWD with KWH over 15,000

Customer Charge \$9.05

Energy Charge

1st 15,000 \$.06282 per KWH

over 15,000 \$.03251 per KWH

Demand Charge

1st 50 No Charge

over 50 \$8.67 per KWH

- (3) Greater than 1,000 KWD but not more than 5000 KWD

Customer Charge \$9.05

Energy Charge \$.03304 per KWH

Demand Charge

1st 1,000 KWD \$8.23 per KW

over 1,000 KWH \$9.22 per KW

General Power (GSB)

Greater than 5,000 KWD but not more than 15,000 KWD

Customer Charge \$1,500.00

Energy Charge

Up to 620 hrs.
use of metered
demand per
month

\$0.02825 per KWH

Additional KWH \$0.02306 per KWH

Demand Charge \$10.85 per KW

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2002

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Balance June 30, 2001 (Receivable)/ Deferred Revenue</u>	<u>Receipts</u>	<u>Expenditures (1)</u>	<u>Adjustments</u>	<u>Balance June 30, 2002 (Receivable)/ Deferred Revenue</u>
U.S. DEPARTMENT OF AGRICULTURE							
National School Breakfast Program	10.553	N/A	\$ (25,412)	\$ 191,809	\$ 191,335		\$ (24,938)
National School Lunch Program	10.555	N/A	(88,173)	722,420	722,179		(87,932)
Child Care Food Program	10.558	D60001571		15,292	15,292		
Emergency Food Assistance Program (Food Commodities)	10.569	N/A		145,291	145,291		
			<u>\$ (113,585)</u>	<u>\$ 1,074,812</u>	<u>\$ 1,074,097</u>		<u>\$ (112,870)</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Public Housing Drug Elimination Program	14.156	TN43DEP0200196	\$ (7,145)	\$ 77,044	\$ 77,467		\$ (7,568)
Community Development Block Grant	14.218	B-00-MC-47-0009	(1,615)	151,905	150,323		(33)
Community Development Block Grant	14.218	B-01-MC-47-0009		251,058	295,505		(44,447)
Bradley Academy Special Purpose Grant	14.225	B-98-SP-TN-0025	100		100		
Emergency Shelter Grant	14.231	Z-01098332-00	(3,876)	3,876			
Emergency Shelter Grant	14.231	Z-02004985-00		35,645	47,619		(11,974)
HOME Program	14.239	DG9901322	(450)	243,542	243,092		
			<u>\$ (12,986)</u>	<u>\$ 763,070</u>	<u>\$ 814,106</u>		<u>\$ (64,022)</u>
U.S. DEPARTMENT OF THE INTERIOR							
Stones River National Battlefield Trail	15.916	CA-5590-2-9001	<u>\$ (213,114)</u>	<u>\$ 213,114</u>	<u>\$ 91,622</u>		<u>\$ (91,622)</u>
			<u>\$ (213,114)</u>	<u>\$ 213,114</u>	<u>\$ 91,622</u>		<u>\$ (91,622)</u>
U.S. DEPARTMENT OF JUSTICE							
Local Law Enforcement Block Grant	16.592	99-LB-VX-8754	\$ 4,092		\$ 573		\$ 3,519
Local Law Enforcement Block Grant	16.592	2001-LB-BX-2228		\$ 93,566	89,825		3,741
Bulletproof Vest Program	16.607	N/A		4,540	4,540		
C.O.P.S. FAST, Universal Hiring	16.710	95-CF-WX-4380	(97,859)	192,720	267,391		(172,530)
C.O.P.S. Universal Hiring (Parks)	16.710	96-UM-WX-1299	(53,077)				(53,077)
C.O.P.S. Advancing Community Policing	16.710	97-OC-WX-0094	(21,886)	21,886			
C.O.P.S. MORE 2000	16.710	00-CM-WX-0476	(25,910)	57,693		\$ 25,910	57,693
			<u>\$ (194,640)</u>	<u>\$ 370,405</u>	<u>\$ 362,329</u>	<u>\$ 25,910</u>	<u>\$ (160,654)</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2002

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Balance June 30, 2001 (Receivable)/ Deferred Revenue</u>	<u>Receipts</u>	<u>Expenditures (1)</u>	<u>Adjustments</u>	<u>Balance June 30, 2002 (Receivable)/ Deferred Revenue</u>
FEDERAL HIGHWAY ADMINISTRATION							
Passed through the Tennessee Department of Transportation -							
TEA-21 Stones River Battlefield Trail	20.205	CPD-13297	\$ (122,479)		\$ 55,840		\$ (178,319)
TEA-21 Stones River Battlefield Trail	20.205	CPD-1999879			22,665		(22,665)
TEA-21 Lytle Creek Greenway	20.205	CPD-925	(137,932)				(137,932)
TEA-21 Land Acquisition	20.205	CPD-1999117		\$ 390,200	390,200		
Optional Safety Program	20.205	CPD-20581			45,000		(45,000)
Optional Safety Program	20.205	CPD-20582			45,000		(45,000)
Congestion Mitigation and Air Quality Improvement Program	20.205	2000504			153,442		(153,442)
			\$ (260,411)	\$ 390,200	\$ 712,147		\$ (582,358)
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION							
Demonstration Projects Mini Grants	20.600	154AL-02-09		\$ 6,000	\$ 6,000		
Law Enforcement Mini-Grant	20.600	DTNH22-00-G-09088		5,000	5,000		
Highway Safety - Speed Enforcement	20.600	Z-01-002175-02	(21,356)	38,557	17,201		
Highway Safety - Speed Enforcement	20.600	Z-02-006342-00		14,636	24,748		\$ (10,112)
Highway Safety - Crash Data Collection	20.600	Z-01-002187-01	(2,242)	4,011	1,769		
Highway Safety - Crash Data Collection	20.600	Z-02-006343-00		3,878	5,761		(1,883)
			\$ (23,598)	\$ 72,082	\$ 60,479		\$ (11,995)
U.S. DEPARTMENT OF EDUCATION							
Passed through Tennessee Department of Education -							
Title I Program 01.01	84.010	N/A	\$ (40,654)	\$ 69,337	\$ 28,683		
Title I Program 01.21	84.010	N/A		62,595	62,595		
Title I Program 02.01	84.010	N/A		560,814	524,962		\$ 35,852
Migrant Program 01.01	84.011A	N/A	(14,996)	36,386	21,390		
Migrant Program 02.01	84.011A	N/A		57,450	47,768		9,682
IDEA, Part B Program 00.21	84.027	N/A	1,686	3,720	5,406		
IDEA, Part B Program 01.01	84.027	N/A	(30,019)	87,436	57,417		
IDEA, Part B Program 01.21	84.027	N/A		60,272	60,272		
IDEA, Part B Program 02.01	84.027	N/A		398,982	305,112		93,870
Preschool Grant Program 01.01	84.173	N/A	3,523	1,264	4,787		
Preschool Grant Program 02.01	84.173	N/A		30,052	33,604		(3,552)
Drug Free Schools	84.186	N/A	(26,548)	26,548	25,884		(25,884)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2002

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Balance June 30, 2001 (Receivable)/ Deferred Revenue</u>	<u>Receipts</u>	<u>Expenditures (1)</u>	<u>Adjustments</u>	<u>Balance June 30, 2002 (Receivable)/ Deferred Revenue</u>
U.S. DEPARTMENT OF EDUCATION (continued)							
Passed through Tennessee Department of Education -							
Even Start Program 01.01	84.213c	Z-0100194300	(31,346)	31,346			
Even Start Program 02.01	84.213c	Z-0200194300		104,294	195,000		(90,706)
Title II Program 00.21	84.281	N/A	(1,151)	1,151			
Title II Program 01.01	84.281	N/A	\$ (1,190)	\$ 3,450	\$ 2,260		
Title II Program 01.21	84.281	N/A		18,418	19,431		\$ (1,013)
Title II Program 02.01	84.281	N/A					
Twenty First Century	84.287	N/A	(240,105)	1,137,419	964,037		(66,723)
Title VI Program 01.01	84.298	N/A	(30,203)	30,208	5		
Title VI Program 02.01	84.298	N/A		17,999	34,761		(16,762)
Title VI Program 01.21	84.298	N/A		825	825		
TCLS MNP Grant 02.01	84.318	Z-02-007193-00		142,055	158,527		(16,472)
Class Size Reduction 01.01	84.340	N/A	51,820			(51,820)	
Class Size Reduction 01.21	84.340	N/A		58,562	58,562		
Class Size Reduction 02.01	84.340	N/A		155,481	144,318		11,163
			\$ (359,183)	\$ 3,096,064	\$ 2,755,606	\$ (51,820)	\$ (70,545)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed through the Greater Nashville Regional							
Council -							
Aging Services - Title IIID	93.043	2002-23		\$ 2,400	\$ 2,400		
Aging Services - Title IIIB	93.044	2002-23		16,231	16,231		
Passed through Tennessee Department of Education -							
Early Childhood Education	93.558	Z-02-007193-00	\$ (59,078)	129,107	239,454		\$ (169,425)
			(59,078)	\$ 147,738	\$ 258,085		(169,425)
			\$ (1,236,595)	\$ 6,127,485	\$ 6,128,471	\$ (25,910)	\$ (1,263,491)

Notes -

(1) This schedule reflects only the grantor's share of the expenditures.

Information in this schedule is presented on the accrual basis of accounting.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of State Awards

Year Ended June 30, 2002

<u>Program Name</u>	<u>Contract/Grant Number</u>	<u>Balance June 30, 2001 (Receivable)/ Deferred Revenue</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2002 (Receivable)/ Deferred Revenue</u>
TENNESSEE COMMISSION ON AGING -					
Passed through the Greater Nashville Regional					
Council -					
Aging Services	2002-23		\$ 11,412	\$ 11,412	
			\$ 11,412	\$ 11,412	
TENNESSEE DEPARTMENT OF EDUCATION -					
Basic Education Program	N/A		\$ 15,068,368	\$ 15,068,368	
School Food Service	N/A	\$ 18,481	37,778	48,968	\$ 7,291
Career Ladder Program	N/A	34,779	395,848	428,248	2,379
Career Ladder Extended Contract	N/A	54,757	123,280	118,173	59,864
Family Resource Center	Z-02-007343-00			33,300	(33,300)
Safe Schools Grant	N/A			27,269	(27,269)
Dropout Prevention Program	N/A	(5,999)	5,999		
		\$ 102,018	\$ 15,631,273	\$ 15,724,326	\$ 8,965
TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION -					
Rogers Park Phase 2	Z-02-009470-30	\$ (22,500)	\$ 22,500		
		\$ (22,500)	\$ 22,500		
TENNESSEE DEPARTMENT OF TRANSPORTATION					
Airport Maintenance	Z-02-005348-00	\$ (9,000)	\$ 9,000	\$ 9,000	\$ (9,000)
Airport Terminal Building Renovation	Z-01-003747-00	(74,405)	111,855	37,450	
		(83,405)	\$ 120,855	\$ 46,450	\$ (9,000)
		\$ 18,613	\$ 15,763,540	\$ 15,782,188	\$ (35)

JOBE, HASTINGS & ASSOCIATES

Certified Public Accountants

Joel H. Jobe, CPA, CMPE
Donna K. Hastings, CPA
James R. Jobe, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Murfreesboro, Tennessee

We have audited the accompanying basic financial statements and each of the City's nonmajor governmental, nonmajor enterprise, internal service funds and fiduciary funds of the City of Murfreesboro, Tennessee, as of and for the year ended June 30, 2002, and have issued our report thereon dated January 21, 2003. We did not audit the financial statements of the Murfreesboro City Schools, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Pension Plan, and the Evergreen Cemetery Commission whose statements reflect total assets of \$13,165,310, \$62,477,685, \$220,115,641, \$7,940,195, and \$1,565,016, respectively, and total revenues of \$34,934,679, \$67,984,679, \$17,934,536, \$(422,346), and \$381,782, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Murfreesboro City Schools, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Department Pension Plan, and the Evergreen Cemetery Commission is based solely upon the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Murfreesboro, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated January 21, 2003.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Murfreesboro, Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2002-1.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management, the City Council, and state and federal audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

Murfreesboro, Tennessee
January 21, 2003

JOBE, HASTINGS & ASSOCIATES

Certified Public Accountants

Joel H. Jobe, CPA, CMPE

Donna K. Hastings, CPA

James R. Jobe, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Murfreesboro, Tennessee

Compliance

We have audited the compliance of the City of Murfreesboro, Tennessee, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Murfreesboro, Tennessee's management. Our responsibility is to express an opinion on the City of Murfreesboro, Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Murfreesboro, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Murfreesboro, Tennessee's compliance with those requirements.

In our opinion, the City of Murfreesboro, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the City of Murfreesboro, Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Murfreesboro, Tennessee's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Murfreesboro's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2002-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, the City Council and state and federal audit agencies and is not intended to be and should not be used by anyone other than those specified parties.


Certified Public Accountants

Murfreesboro, Tennessee
January 21, 2003

CITY OF MURFREESBORO, TENNESSEE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Murfreesboro, Tennessee.
2. One reportable condition disclosed during the audit of the financial statements is reported in the *Independent Auditor's Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards*. The condition is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Murfreesboro, Tennessee were disclosed during the audit.
4. One reportable condition relating to the audit of the major federal award programs is reported in the *Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133*. The condition is reported as a material weakness.
5. The auditor's report on compliance for the major federal programs for the City of Murfreesboro, Tennessee expresses an unqualified opinion on all major federal programs.
6. The audit finding relative to the major federal award programs for the City of Murfreesboro, Tennessee is reported in this Schedule.
7. The programs tested as major programs include the C.O.P.S. Universal Hiring Award, CFDA No. 16.710, the Community Development Block Grant CFDA No. 14.218, Highway Planning and Construction, CFDA No. 20.205, IASA Title I CFDA No. 84.010, Early Childhood Education CFDA No. 93.558, Class Size Reduction CFDA No. 84.340 and Even Start CFDA No. 84.213.
8. The threshold for distinguishing Types A and B programs as defined by *OMB Circular A-133* was \$300,000.
9. The City of Murfreesboro, Tennessee was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

2002-1. Evergreen Cemetery Commission – Separation of Duties

Condition: One employee is currently responsible for executing, recording and controlling all cash transactions.

Criteria: Proper separation of duties requires that no one employee be responsible for an entire transaction cycle from beginning to end.

Effect: Inadequate separation of duties allows the possibility of the occurrence of unauthorized cash transactions, which may not be properly detected by the Commission's internal controls.

CITY OF MURFREESBORO, TENNESSEE
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2002

2002-1. Evergreen Cemetery Commission – Separation of Duties (continued)

Recommendation: To the extent possible, Management should separate the duties of executing, recording and controlling cash transactions.

Response: Management believes the cost of maintaining this control would exceed its benefits.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

REPORTABLE CONDITIONS

DEPARTMENT OF JUSTICE
C.O.P.S. Grants – CFDA No. 16.710

2002-2. Grant No. 95-CF-WX-4380

Conditions: Federal financial status reports filed for the above grants covering various periods were filled out incorrectly. Multiple copies of the federal financial status reports were presented for audit. It was difficult to determine with absolute certainty which of these reports completed for a period was actually filed with the federal agency. Also, multiple copies of the "Worksheets for Request for Reimbursement", which are used to calculate the reimbursement amount, were presented as backup to the federal financial status reports. It appears that the multiple worksheets and reports presented were due to the responsible personnel's attempt to correct errors of previous quarters. We were unable to verify that the corrections made were accurate and were reflected in the actual request for payments made due to the number of reports and worksheets presented and the volume of corrections made. Also, the amounts on the worksheets many times did not agree to the corresponding amounts on the original reports or the corrected reports. Except for the first quarter, the amount on the federal financial status reports filed did not agree with either the amounts requested or the amounts received by the City. Due to lack of controls there was no way to determine with certainty whether the federal financial status reports were filed timely. Requests for funds were not made until November 25, 2002 for the second quarter ending December 31, 2001, the third quarter ending March 31, 2002 and the fourth quarter ending June 30, 2002.

Criteria: Reimbursement requests for federal funds should have supporting documentation showing that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request. The federal financial status reports should be complete and accurate reporting all allowable expenditures of the reporting period and should be filed within forty-five days of the reporting period.

Effect: Because of the lack of controls surrounding the calculating, reporting and requesting of funds, as well as, the maintaining of supporting documentation, reimbursements for nonallowable expenditures may be requested, reports and requests for funding could be delayed, and proper documentation may not be available to support funding requests. As a result of the above, loss of funding could occur.

CITY OF MURFREESBORO, TENNESSEE
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2002

Cause: One employee is responsible for the preparation of the worksheets, requests for payments and the preparation of the federal financial status reports. This same employee reviews and signs the reports for the grant. A supervisor has been assigned to review all requests and required reports for evidence of allowable cost documentation, accuracy and completeness before the request is made and reports are filed. Evidence of this supervision was not noted during our audit of the grant in question.

Recommendation: A procedure should be developed whereby a supervisor or other management personnel reviews all requests and required reports for evidence of allowable cost documentation, accuracy and completeness before the request is made and reports are filed. Evidence of the review should be maintained by the supervisor and approval should be documented. All reports should be signed by someone other than the employee who prepares them. Requests for reimbursement should also be made by someone other than the person who prepares the report and the request should agree with amounts documented in the report. Reports should be filed , and requests for funds made, in a timely manner.

Response: Management concurs with the recommendations and had already implemented procedures to have additional staff review the required reports. The City will expand the procedures to comply with the auditor's recommendations.